

Registered Number 2405577

Bradford & Bingley Homeloans Management
Limited

Annual report and financial statements
for the year ended 31 December 2002



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Bradford & Bingley Homeloans Management Limited

Annual report and financial statements for the year ended 31 December 2002

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Bradford & Bingley Homeloans Management Limited

Directors and advisers for the year ended 31 December 2002

Directors

Rosemary Thorne

Keith Greenough (resigned 31 December 2002)

Christopher Rodrigues

James Milligan (resigned 3 January 2003)

Nicholas Woodcock (resigned 3 January 2003)

Secretary

Robin Churchouse (resigned 3 January 2003)

Alan Shankley (appointed 3 January 2003)

Registered Office

212 Main Street

Bingley

BD16 2HQ

Auditors

PricewaterhouseCoopers LLP

Benson House

33 Wellington Street

Leeds

LS1 4JP

Bankers

Citibank, N.A

PO Box 200

Cottons Centre

Hays Lane

London

SE1 2QT

Bradford & Bingley Homeloans Management Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activity and review of business

During the year the company traded through an agreement between ALLTEL Mortgage Solutions Limited ("AMS") (shareholding 49%) and Bradford and Bingley Investments ("BBI") (shareholding 51%). During this time AMS was a joint venture between ALLTEL Information Services International Holdings Inc. (AISIHI) (shareholding 74.9%) and BBI (shareholding 25.1%). BBI is a wholly owned subsidiary of Bradford and Bingley plc ("BB").

The company's principal activity during the year consisted of providing residential mortgage loan origination and processing services to BB.

Results and dividends

The results for the year are shown in the accompanying profit and loss account on page 5. The directors consider the result satisfactory and do not recommend the payment of a dividend (2001: £nil).

Post balance sheet event

On 3 January 2003 AISIHI sold its 74.9% share in AMS to BBI, and consequently the company became a wholly owned subsidiary of BB.

Directors and their interests

The directors who held office during the year are given below:

Rosemary Thorne	
Keith Greenough	(resigned 31 December 2003)
Christopher Rodrigues	
James Milligan	(resigned 3 January 2003)
Nicholas Woodcock	(resigned 3 January 2003)

None of the directors held any beneficial interests in the shares of the company during the year nor hold any interests in the shares of the company.

The details of the directors' share holdings and interests in the ultimate parent company are disclosed in those financial statements.

Bradford & Bingley Homeloans Management Limited

Directors' report for the year ended 31 December 2002 (continued)

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. 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.

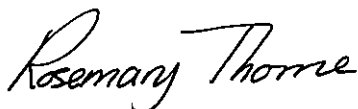
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Auditors

During the year, Arthur Andersen resigned as auditors and the directors appointed PricewaterhouseCoopers LLP in their place to fill the casual vacancy created. Following the change in ownership of the company, PricewaterhouseCoopers LLP will resign from office and will not be appointed at the annual general meeting. A resolution to appoint KPMG Audit Plc as auditors of the company will be proposed at the annual general meeting.

By order of the Board



Rosemary Thorne
Director

7 March 2003

Bradford & Bingley Homeloans Management Limited

Independent auditors' report to the members of Bradford & Bingley Homeloans Management Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

7 March 2003

Bradford & Bingley Homeloans Management Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover		21,770,875	20,485,932
Cost of sales		(20,978,024)	(20,415,778)
Gross profit		792,851	70,154
Administrative expenses		(742,596)	(45,639)
Operating profit	1	50,255	24,515
Interest (payable)/receivable	3	(255)	25,485
Profit on ordinary activities before taxation		50,000	50,000
Tax on profit on ordinary activities	4	(15,000)	(19,363)
Retained profit for the year	9	35,000	30,637

All of the above results relate to continuing operations.

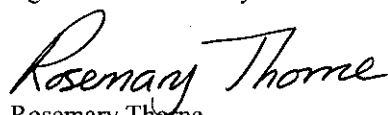
The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

Bradford & Bingley Homeloans Management Limited

Balance sheet as at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	5	1,867	6,646
Current assets			
Debtors	6	1,267,650	2,950,740
Cash at bank and in hand		1,217,829	1,312,754
		2,485,479	4,263,494
Creditors - amounts falling due within one year	7	(2,400,243)	(4,218,037)
Net current assets		85,236	45,457
Net assets		87,103	52,103
Capital and reserves			
Called up equity share capital	8	100	100
Profit and loss account	9	87,003	52,003
Total equity shareholders' funds	10	87,103	52,103

The financial statements on pages 5 to 14 were approved by the board of directors on 7 March 2003 and were signed on its behalf by:



Rosemary Thorne
Director

Bradford & Bingley Homeloans Management Limited

Cash flow statement for the year ended 31 December 2002

	Note	2002 £	2001 £
Net cash outflow from operating activities	11a	(83,089)	(2,089,690)
Returns on investment and servicing of finance	11b	(255)	25,485
Taxation		(11,581)	(11,416)
Capital expenditure	11c	-	(1,498)
Decrease in net cash		(94,925)	(2,077,119)

Bradford & Bingley Homeloans Management Limited

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The company has adopted FRS19, Deferred Taxation, with no significant impact.

Turnover and revenue recognition

Turnover consists of loan origination and processing fees along with other consulting fees and is attributable to the company's principal activities of providing residential loan origination and processing services. All turnover is earned within the United Kingdom.

Tangible fixed assets

Tangible fixed assets are shown at cost net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful life as follows:

Motor vehicles	3 years
Computer equipment	3 years

Taxation

The charge for tax is based on the profit for the year and takes into account tax deferred or accelerated because of timing differences between the treatment of certain items for accounting and tax purposes. Full provision is made for deferred tax resulting from timing differences between profits computed for tax purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences. Deferred tax assets are recognised to the extent that they are expected to be recoverable.

Pensions

Certain employees participate in a defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The majority of the company's employees are members of the Bradford & Bingley Plc pension scheme. The scheme is a defined funded benefits pension scheme under which contributions are paid by group companies and employees in order to provide pension and other benefits expressed in terms of percentage of pensionable salary. The contribution payments made by the company are charged against profit on a basis that seeks to spread the cost over the average of the estimated working lives of all its contributing employees. Further details of the Bradford & Bingley Plc pension scheme can be found in the annual report of that company.

Formal actuarial valuations of the pension scheme are carried out triennially by a qualified actuary using the projected unit method. The most recent valuation was carried out as at 30 June 2000. Particulars of the actuarial valuations of the group scheme are contained in the annual report of Bradford & Bingley Plc.

Currently, the company accounts for contributions in accordance with SSAP 24. Upon adoption of FRS 17, as the scheme is multi employer, the company will account for contributions as if their section of the group scheme were a defined contribution scheme.

Bradford & Bingley Homeloans Management Limited

Notes to the financial statements for the year ended 31 December 2002

1 Operating profit

Operating profit is stated after charging:

	2002	2001
	£	£
Depreciation	4,779	4,592
Auditors' remuneration for audit services	7,000	11,000
Staff costs (see note 2)	7,125,519	7,104,929

2 Staff costs

Particulars of employees are stated below:

	2002	2001
	£	£
Employee costs during the year amounted to:		
Wages and salaries	5,844,220	5,792,326
Pension costs	860,074	905,302
Social security costs	421,225	407,301
	7,125,519	7,104,929

The average weekly number of employees (including executive directors) was as follows:

	2002	2001
	Number	Number
Administration and support	444	420

The directors of the company do not discharge their duties wholly or mainly in the United Kingdom. The remuneration of the directors is provided by AISIH and BBI, and no part of their remuneration is specifically attributed to their services to the company.

Bradford & Bingley Homeloans Management Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

3 Interest (payable)/receivable

	2002	2001
	£	£
Net bank interest (payable)/receivable	(255)	25,485

4 Tax on profit on ordinary activities

The tax charge for the year comprises:

	2002	2001
	£	£
Corporation tax:		
Current year	7,650	7,915
Adjustment in respect of prior period	-	32
Consortium relief payable – prior period	-	3,622
Consortium relief payable – current year	7,350	7,794
	15,000	19,363

The tax for the year reconciles with the standard rate of UK Corporation tax as follows:

	2002	2001
	£	£
Profit on ordinary activities before tax	50,000	50,000
At standard rate of corporation tax of 30%	15,000	15,000
Effects of:		
Prior years	-	3,622
Other	-	709
	15,000	19,363

There is no significant provided or unprovided deferred tax.

Bradford & Bingley Homeloans Management Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

5 Tangible fixed assets

	Computer equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2002 and at 31 December 2002	1,498	10,076	11,574
Accumulated depreciation			
At 1 January 2002	562	4,366	4,928
Charge for the year	749	4,030	4,779
At 31 December 2002	1,310	8,397	9,707
Net book amount			
At 31 December 2002	188	8,397	1,867
At 31 December 2001	936	5,710	6,646

6 Debtors

	2002 £	2001 £
Amounts owed by parent undertaking	1,206,569	2,465,710
Amounts owed by associated undertaking	61,081	365,030
Prepayments	-	120,000
	1,267,650	2,950,740

Bradford & Bingley Homeloans Management Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

7 Creditors: amounts falling due within one year

	2002	2001
	£	£
Amounts owed to associated undertaking	2,027,410	3,382,964
UK corporation tax	15,000	11,581
Accruals and deferred income	357,833	823,492
	2,400,243	4,218,037

8 Called up equity share capital

	2002	2001
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and unpaid		
100 ordinary shares of £1 each	100	100

9 Reserves

	Profit and loss account
	£
At 1 January 2002	52,003
Retained profit for the year	35,000
At 31 December 2002	87,003

Bradford & Bingley Homeloans Management Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Reconciliation of movement in equity shareholders' funds

	2002	2001
	£	£
Opening equity shareholders' funds	52,103	21,466
Retained profit for the year	35,000	30,637
Closing equity shareholders' funds	87,103	52,103

11 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash outflow from operating activities

	2002	2001
	£	£
Operating profit	50,255	24,515
Depreciation	4,779	4,592
Decrease/(increase) in debtors	1,683,090	(499,963)
Decrease in creditors	(1,821,213)	(1,618,834)
Net cash outflow from operating activities	(83,089)	(2,089,690)

(b) Returns on investments and servicing of finance

	2002	2001
	£	£
Net bank interest (paid)/ received	(255)	25,485

(c) Capital expenditure

Payments to acquire tangible fixed assets	-	1,498
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Bradford & Bingley Homeloans Management Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

12 Related party transactions

The company had the following significant transactions with related undertakings:

	2002	2001
	£	£
Revenue earned from residential loan origination and processing fees from BB	21,546,367	20,317,434
Other revenues earned from BB	224,508	168,498
Various other expenses invoiced by AMS including but not limited to management salaries, telephone support, data processing and interest charges	12,735,826	11,642,158

13 Ultimate parent company

The company's ultimate parent company is Bradford and Bingley plc, which is incorporated in the United Kingdom. The largest group in which the results are consolidated is that headed by Bradford and Bingley plc. The consolidated financial statements of this company are available to the public and may be obtained from the registered office, Crofts Road, Crossflats, Bingley, West Yorkshire BD16 2UA.