

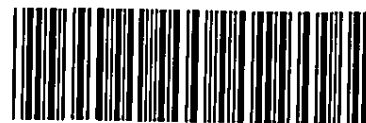
Bradford & Bingley Homeloans Management Ltd

Directors' Report and Financial Statements

Registered number 2405577

31 December 2008

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Directors' Report and Financial Statements

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Company Information

Directors

John Barnettson Anderson
Paul Martin Hopkinson (appointed 30 June 2009)

Secretary

John Gornall

Registered Office

PO Box 88
Croft Road
Crossflatts
Bingley
West Yorkshire
BD16 2UA

Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' Report for the year ended 31 December 2008

The Directors present their Report and Financial Statements for the year ended 31 December 2008.

Principal activity and business review

Bradford & Bingley Homeloans Management Limited ("the Company") is a limited liability company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales.

The Company's parent undertaking is Bradford & Bingley plc. References in these Financial Statements to Group refer to Bradford & Bingley plc and its subsidiaries.

During the year the Company traded through an agreement between ALLTEL Mortgage Solutions Limited and Bradford & Bingley Investments, a wholly owned subsidiary of Bradford & Bingley plc.

The Company's principal activity during the year consisted of providing residential mortgage loan origination and processing services to Bradford & Bingley plc and Mortgage Express.

The results for the year are shown in the Income Statement on page 9. The profit after taxation was £38,927 (2007: loss of £1,067,939). Profit before taxation was £50,000 (2007: £50,000).

Dividends

No dividends were paid during the year or previous year, and the Directors do not recommend the payment of a final dividend for the year (2007: £nil).

Payment policy

Standard terms provide for payment of all invoices within 30 days of invoice date, except where different arrangements have been agreed with suppliers. It is the policy of the Company to abide by the agreed payment terms.

Directors and their interests

The Directors who served during the year were as follows:

Havana Aman Abid	(resigned 30 June 2009)
John Barnetson Anderson	(appointed 04 September 2008)
Robert Stewart Dickie	(resigned 21 April 2008)
Mark Stevens	(resigned 04 September 2008)
Christopher Patrick Willford	(resigned 30 June 2009)

None of the Directors held any interest in the ordinary shares of the Company during the year or preceding year. Mr. Dickie, Mr. Willford and Mr. Stevens also served as directors of the Company's ultimate parent undertaking Bradford & Bingley plc. Details of their interests in the ordinary shares of Bradford & Bingley plc are shown in the 2008 Annual Report of Bradford & Bingley plc.

None of the Directors had any interest in the loan capital of Bradford & Bingley plc or any other interest in the share or loan capital of any of its subsidiaries.

Directors' Report for the year ended 31 December 2008 (continued)

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's auditors are aware of that information.

Risk management and control

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk being of particular significance. The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness. The effectiveness of the risk management is then monitored on an ongoing basis. Details of the Company's risks and their management and control are provided in note 12.

The Company's operations are subject to periodic review by the Bradford & Bingley plc internal audit department.

Political and charitable contributions

During the year no political or charitable contributions were made (2007: £nil).

Auditor

KPMG Audit plc have expressed their willingness to continue on office and a resolution to reappoint them will be proposed at the next Annual General Meeting.

By order of the Board of Directors



Paul Hopkinson
Director

17 September 2009

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with IFRS as adopted by the EU and applicable law.

The Financial Statements are required by law to present fairly the financial position and the performance of the Company; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Bradford & Bingley Homeloans Management Ltd

We have audited the Financial Statements of Bradford & Bingley Homeloans Management Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditor

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent Auditor's Report to the members of Bradford & Bingley Homeloans Management Ltd (continued)

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Emphasis of matter

In forming our opinion on the Financial Statements, which is not qualified, we have considered the adequacy of the disclosures made within the basis of preparation section of the accounting policies concerning the existence of a material uncertainty considered by the Directors in preparing the Financial Statements, which may cast significant doubt on the Company's ability to continue as a going concern. This results from the existence of a material going concern uncertainty in relation to the Company's ultimate parent undertaking, Bradford & Bingley plc. The Financial Statements do not include adjustments that would result if the Company was unable to continue to trade as a going concern.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
23 Sept 2009

1 The Embankment
Neville Street
Leeds
LS1 4DW

Income Statement for the year ended 31 December

	<i>Note</i>	2008 £	2007 £
Revenue		22,116,402	19,533,490
Cost of sales		<u>(21,891,484)</u>	<u>(19,322,421)</u>
Gross profit		224,918	211,069
Administrative expenses		<u>(174,918)</u>	<u>(161,069)</u>
Operating profit	2	50,000	50,000
Profit before taxation		50,000	50,000
Taxation	4	(11,073)	(1,117,939)
Profit / (loss) for the financial year		<u>38,927</u>	<u>(1,067,939)</u>

The results above arise from the Company's single continuing activity and are attributable to the equity shareholders. The Company operates in a single business segment and all of its activities are in the United Kingdom.

The notes on pages 13 to 22 form part of these Financial Statements.

Balance Sheet at 31 December

	Note	2008 £	2007 £
Assets			
Deferred tax assets	5	23,453	22,793
Total non-current assets		<u>23,453</u>	<u>22,793</u>
Amounts due from Group undertakings	8	85,052,716	70,201,229
Prepayments and accrued income		100	100
Total current assets		<u>85,052,816</u>	<u>70,201,329</u>
Total assets		<u>85,076,269</u>	<u>70,224,122</u>
Current liabilities			
Accruals and deferred income		786,028	201,675
Amounts due to Group undertakings	9	86,540,775	71,207,285
Current tax liabilities		14,164	1,118,787
Total liabilities		<u>87,340,967</u>	<u>72,527,747</u>
Equity			
Capital and reserves attributable to equity holders:			
Share capital	6	100	100
Retained earnings		(2,264,798)	(2,303,725)
Total attributable equity		<u>(2,264,698)</u>	<u>(2,303,625)</u>
Total equity and liabilities		<u>85,076,269</u>	<u>70,224,122</u>

The notes on pages 13 to 22 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on
17 September 2009 and signed on its behalf by:



Paul Hopkinson
Director

17 September

2009

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2008	100	(2,303,725)	(2,303,625)
Profit for the year	-	38,927	38,927
At 31 December 2008	<u>100</u>	<u>(2,264,798)</u>	<u>(2,264,698)</u>
	£	£	£
At 1 January 2007	100	(1,235,786)	(1,235,686)
Loss for the year	-	(1,067,939)	(1,067,939)
At 31 December 2007	<u>100</u>	<u>(2,303,725)</u>	<u>(2,303,625)</u>

Cash Flow Statement for the year ended 31 December

	2008 £	2007 £
Cash flows from operating activities		
Profit/(loss) for the financial year	38,927	(1,067,939)
<i>Adjustments for:</i>		
Income tax expense	11,073	1,117,939
Cash flows from operating activities before changes in operating assets and liabilities	50,000	50,000
<i>Net (increase)/decrease in operating assets:</i>		
Amounts due from Group undertakings	(14,851,487)	(14,598,076)
<i>Net increase/(decrease) in operating liabilities:</i>		
Accruals and deferred income	584,353	83,274
Amounts due to Group undertakings	15,333,490	15,199,129
Income taxes paid	(1,116,356)	(734,327)
Net cash from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

Notes to the Financial Statements for the year ended 31 December 2008**1. Principal accounting policies**

Bradford & Bingley Homeloans Management Ltd ("the Company") is a limited liability company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales.

(a) Statement of compliance

The Company's Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS").

In 2008 the Company has not adopted the February 2008 amendment to IAS 1 "Presentation of Financial Statements" or IFRS 8 "Operating Segments" issued by the IASB in November 2006. They are both mandatory for 2009 financial statements; these statements relate to disclosures only, and adoption would have no impact on the Company's Income Statement, Balance Sheet or Cash Flow Statement.

The Financial Statements also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and Accounting Amendments) Regulations 2004.

(b) Basis of preparation

The Financial Statements are prepared on the historical cost basis, and on a going concern basis.

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment.

The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances. These accounting policies have been applied consistently to all periods presented in these Financial Statements.

Principles underlying going concern basis

The Financial Statements of the Company have been prepared on a going concern basis. The validity of this basis is dependent on the funding position of the Company and its controlling party, Bradford & Bingley plc. At the date of approval of these Financial Statements the Bradford & Bingley plc group is reliant on the financing facilities and also upon the guarantee arrangements provided by HM Treasury. However, the continued availability of these facilities is conditional upon approval by the European Commission under the state aid rules and until such approval is granted, there is considered to be a material uncertainty which may cast significant doubt on the Bradford & Bingley plc group's and the Company's ability to continue on a going concern basis and to realise their assets and discharge their liabilities in the normal course of business. If the financing facilities and guarantee arrangements were withdrawn the Company and other companies in the Bradford & Bingley plc group may not be able to meet their financial or funding obligations, which would have a significant impact on the Company's operations, and adjustments may have to be made to reduce the monetary value of assets and to provide for further liabilities that may arise.

(c) Revenue recognition

Revenue 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 revenue is earned within the United Kingdom.

(d) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes. Deferred taxation is provided for in full at the tax rate which is expected to apply to the period when the deferred taxation is expected to be realised, including on tax losses carried forward, and is not discounted to take account of the expected timing of realisation. Deferred taxation assets are recognised only to the extent that it is probable that future taxable profits will be available against which the taxable differences can be utilised.

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

1. Principal accounting policies (continued)

(e) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances which had an original maturity of three months or less.

(f) Post-retirement benefits

The Company participates in the Group's defined benefit pension scheme. It is not practical to determine the present value of the Company's obligation or the related service cost as there is no contractual agreement or stated policy between the pension scheme and the participating companies determining how the deficit in the scheme should be allocated between participants. Contributions are assessed following actuarial valuations of the scheme and, as a result of future changes in the surplus or deficit, future contributions may be different from current contributions. Full details of the Group's pension scheme, including details of actuarial gains and losses, are provided in note 11.

2. Operating profit

	2008	2007
	£	£
Operating profit is stated after charging:		
Staff costs (see note 3)	7,785,518	5,757,572
Auditor's remuneration for audit services	-	-

Auditor's remuneration of £7,051 (2007: £6,747) was borne by the Company's parent undertaking Bradford & Bingley plc.

3. Staff costs and numbers

	2008	Full time 2007	2008	Part time 2007	Full time equivalent 2008	2007
The average number of persons employed by the Company	139	155	61	66	180	198

	2008	2007
	£	£
The aggregate costs of these persons were as follows:		
Wages and salaries	6,704,911	4,858,673
Social security costs	570,585	423,668
Pension costs	510,022	475,231
	<u>7,785,518</u>	<u>5,757,572</u>

The remuneration of the Directors is provided by Bradford & Bingley Investments and no part of their remuneration is specifically attributable to their services to the Company.

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

4. Taxation	2008	2007
	£	£
Current taxation expense:		
UK corporation tax on profits for the year	14,164	1,118,787
Adjustments in respect of previous years	(2,431)	(2,477)
Total current taxation	11,733	1,116,310
Deferred taxation expense:		
Origination and reversal of temporary differences	(660)	-
Change in rate effective 1 April 2008 on deferred tax items	-	1,629
Total taxation expense per the Income Statement	11,073	1,117,939
	2008	2007
	£	£
Profit before taxation	50,000	50,000
UK corporation tax at 28.5% (2007: 30%)	14,249	15,000
Effects of:		
Expenses not deductible for taxation	-	1,103,787
Change in rate effective 1 April 2008 on deferred tax items	-	1,629
Adjustments in respect of previous years	(3,176)	(2,477)
Total taxation expense per the Income Statement	11,073	1,117,939

5. Deferred taxation

The net deferred tax asset is attributable to the following:

	Assets		(Liabilities)		Net	
	2008	2007	2008	2007	2008	2007
	£	£	£	£	£	£
Property, plant and equipment	307	-	-	(353)	307	(353)
Employee benefits	23,146	23,146	-	-	23,146	23,146
	23,453	23,146	-	(353)	23,453	22,793

The movement in the Company's temporary differences during the year and previous year were as follows:

	As at 1 Jan 2008	Recognised in income	As at 31 Dec 2008
	£	£	£
Property, plant and equipment	(353)	660	307
Employee benefits	23,146	-	23,146
	22,793	660	23,453
	As at 1 Jan 2007	Recognised in income	As at 31 Dec 2007
	£	£	£
Property, plant and equipment	(378)	25	(353)
Employee benefits	24,800	(1,654)	23,146
	24,422	(1,629)	22,793

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

6. Share capital

	2008 Shares	2007 Shares	2008 £	2007 £
Ordinary shares of £1 each				
Authorised:				
'A' ordinary shares	49	49	49	49
'B' ordinary shares	51	51	51	51
As at 1 January and 31 December	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Issued and fully paid:				
'A' ordinary shares	49	49	49	49
'B' ordinary shares	51	51	51	51
As at 1 January and 31 December	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The holders of the 'A' shares have the right to appoint an 'A' director and the holders of the 'B' shares have the right to appoint a 'B' director. The 'A' shares do not carry the right to vote to appoint or remove the 'B' director and the 'B' shares do not carry the right to vote to appoint or remove the 'A' director. Otherwise these shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up.

7. Related party disclosures

The Company's key management personnel are its Directors. The Company had no transactions or balances with its key management personnel during the financial year or the proceeding financial year.

Details of the Company's balances with other Group entities are provided in notes 8 and 9.

During the year and previous year the Company undertook transactions with companies within the Bradford & Bingley plc group as follows:

	2008 £	2007 £
Revenue	22,116,402	19,533,490
Cost of sales	<u>13,512,560</u>	<u>12,792,382</u>

Auditor's remuneration of £7,051 (2007: £6,747) was borne by Bradford & Bingley plc.

8. Amounts due from Group undertakings

	2008 £	2007 £
Amounts due from Bradford & Bingley plc	28,764,177	29,117,329
Amounts due from Mortgage Express (a fellow subsidiary undertaking of Bradford & Bingley Investments)	<u>56,288,540</u>	<u>41,083,900</u>
	<u>85,052,716</u>	<u>70,201,229</u>

The amounts due from Group undertakings are interest-free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

9. Amounts due to Group undertakings

	2008	2007
	£	£
Amounts owed to fellow subsidiary undertaking of Bradford & Bingley Investments	<u>86,540,775</u>	<u>71,207,285</u>

The amounts due to Group undertakings are interest-free and repayable on demand.

10. Parent undertaking

The Company's immediate parent undertaking is Bradford & Bingley Investments, an unlimited company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. Bradford & Bingley Investments' immediate parent undertaking is Bradford & Bingley plc, a public company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. Bradford & Bingley plc heads the largest and smallest group of companies into which the Financial Statements of the Company are consolidated. Copies of the financial statements of Bradford & Bingley plc may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

As a result of The Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008, which transferred all shares in Bradford & Bingley plc to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008, the Company considers Her Majesty's Government to be the ultimate controlling party from that date.

11. Post-retirement benefits

The Company participates in the defined benefit pension scheme of its parent company, Bradford & Bingley plc. In accordance with IAS 19 "Employee Benefits" (amended 2004) the assets and liabilities of the scheme are recognised by Bradford & Bingley plc as the sponsoring employer of the scheme. Details of the parent company's schemes are as follows:

(a) Pension schemes

The Bradford & Bingley Group ("the Group") operates a closed defined benefit staff pension scheme, the Bradford & Bingley Staff Pension Scheme ("the principal scheme"), which is administered by trustees. The funds are independent from those of the Group. The normal pension age of employees in the schemes is 65.

The Group also operates a defined contribution scheme, the Bradford & Bingley Group Pension Plan. The funds of this scheme are independent from those of the Group. The Group and Company had no liabilities or prepayments associated with the defined contribution scheme at the year end (2007: £nil). The cost in the year to the Group of the defined contribution scheme was £1.7m (2007: £1.4m) and the cost to the Company was £1.4m (2007: 1.0m)

(b) Other post-retirement benefits

The Group provides healthcare benefits to some of its pensioners. The healthcare benefits are provided through a post-retirement medical scheme into which the Group contributes 100% towards the cost of providing medical expense benefits for members who retired before 1 January 1996 and 50% for members who retired after this date. The total number of members of the scheme as at 31 December 2008 was 411 (2007: 515). Private medical costs are assessed in accordance with the advice of a qualified actuary.

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

11. Post-retirement benefits (continued)

(c) Accounting treatment

The Group accounts for post-retirement benefit costs in accordance with IAS 19 and IFRIC 14. The full net actuarial deficit is carried on Bradford & Bingley plc's balance sheet, and actuarial gains and losses are taken to the Group's retained earnings rather than being charged or credited in the income statement. Any net defined asset is recognised to the extent to which the economic benefits are available to the Group without any conditions outside the direct control of the Group having to be satisfied. The actuarial loss recognised in the Group retained earnings during the year was £17.8m (2007: £53.3m gain). More than one employing Group entity contributes to the pension schemes. As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual Group entities the net defined benefit cost is recognised in the financial statements of Bradford & Bingley plc (being the sponsoring entity) while other individual Group entities, in their individual financial statements, recognise a cost equal to their contributions payable for the period.

(d) Employee benefits obligations

The amounts carried in the balance sheet of Bradford & Bingley plc are as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	Total
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	480.5	586.8	9.2	11.0	489.7	597.8
Fair value of plan assets	(485.3)	(575.8)	-	-	(485.3)	(575.8)
IFRIC 14 restriction	4.8	-	-	-	4.8	-
Net liability	-	11.0	9.2	11.0	9.2	22.0
Amounts carried in the balance sheet:						
Liabilities	-	11.0	9.2	11.0	9.2	22.0

The amounts recognised in the Group income statement are as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	Total
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Current service cost	4.8	7.5	0.1	0.1	4.9	7.6
Interest on plan obligations	34.5	29.9	0.6	0.5	35.1	30.4
Expected return on plan assets	(37.6)	(34.4)	-	-	(37.6)	(34.4)
Gains on curtailment (i)	(22.3)	-	(0.8)	-	(23.1)	-
	(20.6)	3.0	(0.1)	0.6	(20.7)	3.6
Actual return on plan assets	(78.1)	27.5	-	-	(78.1)	27.5

Changes in the present value of the defined benefit obligations were as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	Total
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Opening defined benefit obligations	586.8	621.9	11.0	10.6	597.8	632.5
Current service cost	4.8	7.5	0.1	0.1	4.9	7.6
Contributions by employees	0.8	0.9	-	-	0.8	0.9
Interest on plan obligations	34.5	29.9	0.6	0.5	35.1	30.4
Actuarial (gain)/loss	(101.5)	(60.4)	(1.3)	0.2	(102.8)	(60.2)
Gain on curtailment (i)	(22.3)	-	(0.8)	-	(23.1)	-
Obligation transfer (ii)	(3.9)	-	-	-	(3.9)	-
Benefits paid	(18.7)	(13.0)	(0.4)	(0.4)	(19.1)	(13.4)
Closing defined benefit obligations	480.5	586.8	9.2	11.0	489.7	597.8

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

11. Post-retirement benefits (continued)

(d) Employee benefits obligations (continued)

Changes in the fair value of plan assets were as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	Total
	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m
Opening fair value of plan assets	575.8	549.3	-	-	575.8	549.3
Expected return on plan assets	37.6	34.4	-	-	37.6	34.4
Contributions by employing entities	9.3	11.0	0.4	0.4	9.7	11.4
Contributions by employees	0.8	0.9	-	-	0.8	0.9
Actuarial (loss)/gain	(115.7)	(6.9)	-	-	(115.7)	(6.9)
Asset transfer (ii)	(4.0)	-	-	-	(4.0)	-
Benefits paid	(18.5)	(12.9)	(0.4)	(0.4)	(18.9)	(13.3)
Closing fair value of plan assets	485.3	575.8	-	-	485.3	575.8

(i) Gain on curtailment

Employees who transferred to Abbey National plc ("Abbey") as a consequence of the sale of the savings business on 29 September 2008 and who were members of the defined benefit scheme became deferred members as the date of transfer. The curtailment gain of £23.1m arising on this event has been calculated in accordance with IAS 19 and is included in the Group income statement.

(ii) Transfer of obligations and assets

Bradford & Bingley International Ltd was sold to Abbey on 29 September 2008. Employees of Bradford & Bingley International Ltd who were members of the defined benefit scheme remain members of the scheme but the pension obligations and assets relating to those employees has been transferred to Abbey with effect from 29 September 2008.

The Group expects to contribute £6.9m to its defined benefit pension plans in 2009.

The major categories of plan assets as a percentage of total plan assets at 31 December were as follows:

	2008	2007
Equities	34%	44%
Property	10%	15%
Bonds	25%	27%
Gilts	13%	6%
Cash and other	18%	8%
Total	100%	100%

The principal actuarial assumptions (expressed as weighted averages) were as follows:

To determine benefit obligations	2008	2007
Discount rate at 31 December	6.3%	5.8%
Future pension increases	3.0%	3.4%
Rate of salary increase	5.0%	5.4%
To determine the net pension cost		
Expected return on plan assets	6.8%	6.3%
Discount rate	6.3%	5.1%
Rate of salary increase	5.4%	5.1%
For post-retirement medical plan		
Discount rate	6.3%	5.8%
Inflation	3.0%	3.4%
Medical cost trend for next financial year	6.0%	6.5%
Medical cost trend falling linearly for subsequent 2 years	6.0%	6.5% to 5.5%
Medical cost trend thereafter	6.0%	5.5%

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

11. Post-retirement benefits (continued)

(d) Employee benefits obligations (continued)

In determining the expected long-term return on plan assets, Bradford & Bingley plc considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return for the portfolio.

The principal assumption made on life expectancy for active and retired members was to use PA92 (YOB) base rated up by 2 years. As an illustration of the mortality rates used, the future life expectancies from age 60 are shown below:

	Males	Females
Non-retired members' life expectancy*	25.9	28.7
Retired members' life expectancy**	23.8	26.8

* based on 1965 year of birth

**based on 1935 year of birth

Sensitivity

The following table illustrates the sensitivity of the pension scheme defined benefit obligation to four key assumptions: the discount rate, the rate of inflation, the rate of salary growth and the mortality assumption.

Assumption	Change in assumption	Impact on benefit obligation
Discount rate	Decrease by 0.5%	Increase by 11.9%
Inflation	Increase by 0.5%	Increase by 10.4%
Salary growth above inflation	Increase by 0.5%	Increase by 1.8%
Mortality	Decrease by 1 year	Increase by 2.3%

If the assumptions were to change by the same amount in the opposite direction to those illustrated, the benefit obligation would decrease or increase by a similar percentage to those shown in the table in each case.

Assumed healthcare cost trend rates have an effect on the amounts recognised in staff costs. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2008	2007
	£m	£m
Effect on the aggregate of service cost and interest cost	0.1	0.1
Effect on defined benefit obligations	1.5	1.9

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

12. Financial instruments

a) Categories of financial assets and financial liabilities: carrying value compared to fair value

2008	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£
Amounts due from Group undertakings - loans and receivables	85,052,716	85,052,716	850,527
Total financial assets	85,052,716	85,052,716	850,527
Amount due to Group undertakings - at amortised cost	86,540,775	86,540,775	865,408
Total financial liabilities	86,540,775	86,540,775	865,408

2007	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£
Amounts due from Group undertakings - loans and receivables	70,201,229	70,201,229	702,012
Total financial assets	70,201,229	70,201,229	702,012
Amount due to Group undertakings - at amortised cost	71,207,285	71,207,285	712,073
Total financial liabilities	71,207,285	71,207,285	712,073

No financial assets or liabilities are carried at fair value, but their fair values approximate to their carrying values.

b) Nature and extent of risks arising from financial instruments

The main financial risk arising from the Company's activities is credit risk.

i) Credit risk

Credit risk is the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company is exposed to credit risk via amounts due from Group undertakings, represented by the carrying amount.

The maximum exposure to credit risk as at 31 December was:

	2008	2007
	£	£
Amounts due from Group undertakings	85,052,716	70,201,229
Total on Balance Sheet and maximum exposure to credit risk	85,052,716	70,201,229

ii) Other market risks

The Company had no other material exposure to market risks at 31 December 2008 and 31 December 2007.

The Company had no assets or liabilities denominated in foreign currencies at 31 December 2008 or 31 December 2007.

The Company's financial liabilities are interest-free and repayable on demand.

iii) Concentrations of risk

The Company operates primarily in the UK and adverse changes to the UK economy could impact all areas of the Company's business. The amounts due from Group undertakings are all due from two entities, Bradford & Bingley plc and Mortgage Express.

Notes to the Financial Statements for the year ended 31 December 2008 (continued)

13. Capital structure

The Company's capital is represented by the capital and reserves attributable to equity holders. The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies. The Company manages its capital and reserves in order that there is sufficient capital to meet the needs of the Company in its operations.

14. Critical accounting judgements and estimates

In preparation of the Company's Financial Statements judgements and estimates are made which affect the reported amounts of assets and liabilities; judgements and estimates are kept under continuous evaluation. Judgements and estimates are based on historical experience, expectations of future events and other factors. At 31 December 2008 there were no critical accounting judgements or estimates (2007: none).