

Bradford & Bingley Homeloans Management Ltd

Directors' Report and Financial Statements

Registered number 2405577

31 December 2009

SATURDAY



A863KNIG

A20

18/09/2010

406

COMPANIES HOUSE

Directors' Report and Financial Statements

	Page
Contents	
Company Information	3
Directors' Report	4 - 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report to the members of Bradford & Bingley Homeloans Management Ltd	7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Financial Statements	12 - 22

Company Information

Directors

John Barnetson Anderson
Paul Martin Hopkinson

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 2009

Registered number 2405577

The Directors present their Report and Financial Statements for the year ended 31 December 2009

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 ultimate 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 Statement of Comprehensive Income on page 8. The profit after taxation was £61,404 (2008: profit of £38,927). Profit before taxation was £50,000 (2008: £50,000)

During the year, the Company's immediate parent undertaking, Bradford & Bingley Investments, made a capital contribution to the Company of £3,020,000 to improve the Company's capital position

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 (2008: £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

The Directors who served during the year were as follows

John Barnettson Anderson

Paul Martin Hopkinson (appointed 30 June 2009)

Havana Aman Abid (resigned 30 June 2009)

Christopher Patrick Willford (resigned 30 June 2009)

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

Directors' Report for the year ended 31 December 2009 (continued)

Registered number: 2405577

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. Further details of the Company's risks and their management and control are provided in note 11. 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 (2008: £nil)

Auditor

KPMG Audit plc have expressed their willingness to continue in 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

13 September 2010

Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable law.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

We have audited the Financial Statements of Bradford & Bingley Homeloans Management Limited for the year ended 31 December 2009 set out on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on Financial Statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



J L Ellacott (Senior Statutory Auditor)

for and behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

13 September 2010

Statement of Comprehensive Income for the year ended 31 December

	<i>Note</i>	2009 £	2008 £
Revenue	<i>1(c)</i>	20,496,744	22,116,402
Cost of sales		(20,021,549)	(21,891,484)
Gross profit		475,195	224,918
Administrative expenses		(425,195)	(174,918)
Profit before taxation	<i>2</i>	50,000	50,000
Taxation	<i>4</i>	11,404	(11,073)
Profit for the financial year		61,404	38,927
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		61,404	38,927

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 12 to 22 form part of these Financial Statements.

Balance Sheet at 31 December

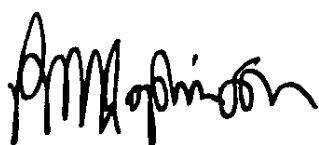
Registered number: 2405577

	<i>Note</i>	2009 £	2008 £
Assets			
Deferred tax assets	5	<u>23,392</u>	<u>23,453</u>
Total non-current assets		<u>23,392</u>	<u>23,453</u>
Amounts due from Group undertakings	8	<u>94,327,282</u>	<u>85,052,716</u>
Prepayments and accrued income		<u>100</u>	<u>100</u>
Total current assets		<u>94,327,382</u>	<u>85,052,816</u>
Total assets		<u>94,350,774</u>	<u>85,076,269</u>
Current liabilities			
Accruals and deferred income		<u>844,280</u>	<u>786,028</u>
Amounts due to Group undertakings	9	<u>92,687,089</u>	<u>86,540,775</u>
Current tax liabilities		<u>2,699</u>	<u>14,164</u>
Total liabilities		<u>93,534,068</u>	<u>87,340,967</u>
Equity			
Capital and reserves attributable to equity holders:			
Share capital	6	<u>100</u>	<u>100</u>
Capital contribution reserve	6	<u>3,020,000</u>	<u>-</u>
Retained earnings		<u>(2,203,394)</u>	<u>(2,264,798)</u>
Total attributable equity		<u>816,706</u>	<u>(2,264,698)</u>
Total equity and liabilities		<u>94,350,774</u>	<u>85,076,269</u>

The notes on pages 12 to 22 form part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on

13 September 2010 and signed on its behalf by


Paul Hopkinson
Director

13 September 2010

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Capital contribution reserve £	Retained earnings £	Total equity £
At 1 January 2009	100	-	(2,264,798)	(2,264,698)
Profit for the financial year	-	-	61,404	61,404
Capital contribution	-	3,020,000	-	3,020,000
At 31 December 2009	<u>100</u>	<u>3,020,000</u>	<u>(2,203,394)</u>	<u>816,706</u>
	£	£	£	£
At 1 January 2008	100	-	(2,303,725)	(2,303,625)
Profit for the financial year	-	-	38,927	38,927
At 31 December 2008	<u>100</u>	<u>-</u>	<u>(2,264,798)</u>	<u>(2,264,698)</u>

Cash Flow Statement for the year ended 31 December

	2009	2008
	£	£
Cash flows from operating activities		
Profit for the financial year	61,404	38,927
<i>Adjustments for</i>		
Income tax (credit)/expense	(11,404)	11,073
Cash flows from operating activities before changes in operating assets and liabilities	50,000	50,000
<i>Net (increase) in operating assets</i>		
Amounts due from Group undertakings	(9,274,566)	(14,851,487)
<i>Net increase/(decrease) in operating liabilities</i>		
Accruals and deferred income	58,252	584,353
Amounts due to Group undertakings	6,146,314	15,333,490
Taxation paid	-	(1,116,356)
Net cash used in operating activities	(3,070,000)	(50,000)
Cashflows from financing activities		
Capital contribution	3,020,000	-
Net cash from financing activities	3,020,000	-
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 2009**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')

For these 2009 Financial Statements, including the 2008 comparative financial information where applicable, the Company has adopted for the first time the following statements

- The February 2008 amendment to IAS 1 'Presentation of Financial Statements' This relates to presentation only, and adoption has had no material impact on the Company's Statement of Comprehensive Income, Balance Sheet or Cash Flow Statement
- The March 2009 amendment to IFRS 7 'Financial Instruments Disclosures' This relates to disclosures only, and adoption has had no impact on the Company's Statement of Comprehensive Income, Balance Sheet or Cash Flow Statement
- IFRS 8 'Operating Segments' This standard replaced IAS 14 'Segment Reporting' The Company's business and operations comprise one single activity, principally within the United Kingdom, and are managed on that basis, and hence no segmental information has been provided

The Financial Statements also comply with the relevant provisions of Part 15 of the Companies Act 2006 and regulations made thereunder

(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 Judgements made by the Directors in the application of these accounting policies that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 11 The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances

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 ultimate parent undertaking, Bradford & Bingley plc At the date of approval of these Financial Statements the Bradford & Bingley Group ('Group') is reliant on the financing facilities and also upon the guarantee arrangements provided to the Group by Her Majesty's Treasury ('HM Treasury') Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the Bradford & Bingley plc Group, and subsequently this Company's operations and their ability to continue as a going concern, in which case adjustments may have to be made to reduce the carrying value of assets to recoverable amounts and to provide for further liabilities that might arise At the signing date, HM Treasury has confirmed its intentions to continue to provide funding until at least 30 September 2011

On 25 January 2010, the EC announced that it had approved under the EU state aid rules the financing facilities and guarantee arrangements provided by HM Treasury, subject to certain conditions which the Directors are confident can be met Accordingly, the Directors believe there is no longer any material uncertainty over the Bradford & Bingley plc Group's and the Company's ability to continue as a going concern

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

1. Principal accounting policies (continued)

(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.

(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 10.

2. Operating profit	2009 £	2008 £
Operating profit is stated after charging		
Staff costs (see note 3)	<u>13,638,642</u>	<u>7,785,518</u>

Auditor's remuneration of £7,192 (2008: £7,051) was borne by the Company's ultimate parent undertaking Bradford & Bingley plc.

3. Staff costs and numbers

	2009	Full time 2008	2009	Part time 2008	Full time equivalent 2009	2008
The average number of persons employed by the Company	<u>105</u>	<u>139</u>	<u>51</u>	<u>61</u>	<u>139</u>	<u>180</u>
					2009 £	2008 £
The aggregate costs of these persons were as follows						
Wages and salaries					11,682,279	6,704,911
Social security costs					1,114,737	570,585
Pension costs					<u>841,626</u>	<u>510,022</u>
					<u>13,638,642</u>	<u>7,785,518</u>

The remuneration of the Directors is provided by Bradford & Bingley plc and no part of their remuneration is specifically attributable to their services to the Company. Staff costs includes the cost of staff recharged from other Group companies, but not included in the Company's staff numbers.

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

4 Taxation	2009	2008
	£	£
Current taxation expense		
UK corporation tax on profits for the year	-	14,164
Adjustments in respect of previous years	<u>(11,465)</u>	<u>(2,431)</u>
Total current taxation	<u>(11,465)</u>	<u>11,733</u>
Deferred taxation expense		
Origination and reversal of temporary differences	<u>61</u>	<u>(660)</u>
Total taxation (credit)/expense per the Statement of Comprehensive Income	<u>(11,404)</u>	<u>11,073</u>
	2009	2008
	£	£
Profit before taxation	<u>50,000</u>	<u>50,000</u>
UK corporation tax at 28% (2008 28.5%)	<u>14,000</u>	<u>14,249</u>
Effects of		
Income not taxable	<u>(14,000)</u>	-
Adjustments in respect of previous years	<u>(11,404)</u>	<u>(3,176)</u>
Total taxation (credit)/expense per the Statement of Comprehensive Income	<u>(11,404)</u>	<u>11,073</u>

5 Deferred taxation

The net deferred tax asset is attributable to the following

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	£	£	£	£	£	£
Property, plant and equipment	246	307	-	-	246	307
Employee benefits	23,146	23,146	-	-	23,146	23,146
	<u>23,392</u>	<u>23,453</u>	<u>-</u>	<u>-</u>	<u>23,392</u>	<u>23,453</u>

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

	At 1 Jan 2009 £	Recognised in income £	At 31 Dec 2009 £
Property, plant and equipment	307	(61)	246
Employee benefits	23,146	-	23,146
	<u>23,453</u>	<u>(61)</u>	<u>23,392</u>
	At 1 Jan 2008 £	Recognised in income £	At 31 Dec 2008 £
Property, plant and equipment	(353)	660	307
Employee benefits	23,146	-	23,146
	<u>22,793</u>	<u>660</u>	<u>23,453</u>

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

6 Share capital

	2009 Shares	2008 Shares	2009 £	2008 £
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.

During the year, the Company's immediate parent undertaking, Bradford & Bingley Investments, made a capital contribution to the Company of £3,020,000 to improve the Company's capital position.

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 preceding 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:

	2009 £	2008 £
Revenue	20,496,744	22,116,402
Cost of sales	<u>(5,587,878)</u>	<u>(13,512,560)</u>

Auditor's remuneration of £7,192 (2008: £7,051) was borne by the Company's ultimate parent undertaking, Bradford & Bingley plc.

During the year the Company's immediate parent undertaking, Bradford & Bingley Investments, made a capital contribution of £3,020,000 to the Company.

In addition to the above table staff costs includes the cost of staff recharged from other Group companies, but not included in the Company's staff numbers.

8 Amounts due from Group undertakings

	2009 £	2008 £
Amounts due from Bradford & Bingley plc	28,731,084	28,764,176
Amounts due from Mortgage Express (a fellow subsidiary undertaking of Bradford & Bingley Investments)	<u>64,843,469</u>	<u>56,288,540</u>
	<u>93,574,553</u>	<u>85,052,716</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 2009 (continued)

9 Amounts due to Group undertakings

	2009	2008
	£	£
Amounts owed to fellow subsidiary undertakings of Bradford & Bingley Investments	<u>92,687,089</u>	<u>86,540,775</u>

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

10. Post-retirement benefits

The Company participates in the defined benefit pension scheme of its ultimate parent undertaking, 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') operated a closed defined benefit staff pension scheme, the Bradford & Bingley Staff Pension Scheme ('the principal scheme'), which was administered by trustees. On 31 December 2009, the scheme was closed to future service accrual and all members became deferred members and were given the option to transfer to the Group defined contribution scheme from 1 January 2010. 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 (2008: £nil). The cost in the year to the Group of the defined contribution scheme was £0.7m (2008: £1.7m).

(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 2009 was 393 (2008: 411). Private medical costs are assessed in accordance with the advice of a qualified actuary.

(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 Statement of Comprehensive Income. Any net defined benefit 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 £105.0m (2008: £17.8m 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.

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

10. Post-retirement benefits (continued)

(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
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	615.1	480.5	7.8	9.2	622.9	489.7
Fair value of plan assets	(525.2)	(485.3)	-	-	(525.2)	(485.3)
IFRIC 14 restriction	-	4.8	-	-	-	4.8
Net liability	89.9	-	7.8	9.2	97.7	9.2
Amounts carried in the Balance Sheet						
- Liabilities	89.9	-	7.8	9.2	97.7	9.2

The amounts recognised in the Group Statement of Comprehensive Income are as follows

	Defined benefit pension plans		Post-retirement medical benefits		Total	Total
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Current service cost	1.6	4.8	0.1	0.1	1.7	4.9
Interest on plan obligations	30.7	34.5	0.5	0.6	31.2	35.1
Expected return on plan assets	(28.1)	(37.6)	-	-	(28.1)	(37.6)
Gain on curtailment (i)	(13.4)	(22.3)	-	(0.8)	(13.4)	(23.1)
	(9.2)	(20.6)	0.6	(0.1)	(8.6)	(20.7)
Actual return on plan assets	49.9	(78.1)	-	-	49.9	(78.1)

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

	Defined benefit pension plans		Post-retirement medical benefits		Total	Total
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Opening defined benefit obligations	480.5	586.8	9.2	11.0	489.7	597.8
Current service cost	1.6	4.8	0.1	0.1	1.7	4.9
Contributions by employees	0.3	0.8	-	-	0.3	0.8
Interest on plan obligations	30.7	34.5	0.5	0.6	31.2	35.1
Actuarial loss/(gain)	132.6	(101.5)	(1.4)	(1.3)	131.2	(102.8)
Gain on curtailment (i)	(13.4)	(22.3)	-	(0.8)	(13.4)	(23.1)
Obligation transfer (ii)	-	(3.9)	-	-	-	(3.9)
Benefits paid	(17.2)	(18.7)	(0.6)	(0.4)	(17.8)	(19.1)
Closing defined benefit obligations	615.1	480.5	7.8	9.2	622.9	489.7

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

10. 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
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Opening fair value of plan assets	485.3	575.8	-	-	485.3	575.8
Expected return on plan assets	28.1	37.6	-	-	28.1	37.6
Contributions by employing entities	7.3	9.3	0.6	0.4	7.9	9.7
Contributions by employees	0.3	0.8	-	-	0.3	0.8
Actuarial gain/(loss)	21.3	(115.7)	-	-	21.3	(115.7)
Asset transfer (ii)	-	(4.0)	-	-	-	(4.0)
Benefits paid	(17.1)	(18.5)	(0.6)	(0.4)	(17.7)	(18.9)
Closing fair value of plan assets	525.2	485.3	-	-	525.2	485.3

(i) Gain on curtailment

As of 31 December 2009 the scheme was closed to future service accrual and all members became deferred members and were given the option to transfer to the Group defined contribution scheme from 1 January 2010. 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.

(ii) Transfer of obligations and assets

Bradford & Bingley International Ltd was sold to Abbey on 29 September 2008 and all pension obligations and assets relating to those employees has been transferred to Abbey with effect from that date.

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

	2009	2008
Equities	37%	34%
Property	7%	10%
Bonds	33%	25%
Gilts	12%	13%
Cash and other	11%	18%
Total	100%	100%

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

10. Post-retirement benefits (continued)

(d) Employee benefits obligations (continued)

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

To determine benefit obligations	2009	2008
Discount rate at 31 December	5.7%	6.3%
Future pension increases	3.5%	3.0%
Rate of salary increase	5.5%	5.0%
To determine the net pension cost		
Expected return on plan assets	6.1%	6.8%
Discount rate	6.4%	6.3%
Rate of salary increase	5.0%	5.4%
For post-retirement medical plan		
Discount rate	5.7%	6.3%
Inflation	3.5%	3.0%
Medical cost trend for next financial year	4.5%	6.0%

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 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 table shows the life expectancy assumptions from age 60 (based on a 1945 year of birth for retired members and 1965 for non-retired members)

	2009		2008	
	Retired members	Non-retired members	Retired members	Non-retired members
Male	26.6	28.8	24.7	25.9
Female	29.5	31.7	27.7	28.7

Sensitivity

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

Assumption	Change in assumption	Impact on benefit obligation
Discount rate	Decrease by 0.5%	Increase by 11%
Inflation	Increase by 0.5%	Increase by 11%
Mortality	Decrease by 1 year	Increase by 2%

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

10. Post-retirement benefits (continued)

(d) Employee benefits obligations (continued)

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

	2009	2008
	£m	£m
Effect on the aggregate of service cost and interest cost	0.1	0.1
Effect on defined benefit obligations	1.1	1.5

11. Financial instruments

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

2009	Total carrying value	Fair value	If fair values increased by 1%
	£	£	£
Amounts due from Group undertakings - loans and receivables	94,327,282	94,327,282	943,273
Total financial assets	94,327,282	94,327,282	943,273
Accruals and deferred income	844,280	844,280	8,443
Amount due to Group undertakings - at amortised cost	92,687,089	92,687,089	926,871
Total financial liabilities	93,531,369	93,531,369	935,314
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
Accruals and deferred income	786,028	786,028	7,860
Amount due to Group undertakings - at amortised cost	86,540,775	86,540,775	865,408
Total financial liabilities	87,326,802	87,326,802	873,268

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

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

11. Financial instruments (continued)

(b) Nature and extent of risks arising from financial instruments (continued)

i) Credit risk (continued)

The maximum exposure to credit risk as at 31 December was

	2009 £	2008 £
Amounts due from Group undertakings	94,327,282	85,052,716
Total on Balance Sheet and maximum exposure to credit risk	94,327,282	85,052,716

ii) Other market risks

The Company had no other material exposure to market risks at 31 December 2009 and 31 December 2008

The Company had no assets or liabilities denominated in foreign currencies at 31 December 2009 or 31 December 2008

iii) Liquidity risk

The Company's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Company can meet its liabilities as they fall due, by smoothing mismatches between maturing assets and liabilities

The contractual undiscounted cash flows associated with financial liabilities were as follows

	On demand	In not more than three months	In more than three months but not more than one year	In more than one year but not more than five years	Total
At 31 December 2009	£	£	£	£	£
Accruals and deferred income	-	543,529	133,975	166,776	844,280
Amounts owed to Group undertakings	92,687,089	-	-	-	92,687,089
Total	92,687,089	543,529	133,975	166,776	93,531,369

	On demand	In not more than three months	In more than three months but not more than one year	In more than one year but not more than five years	Total
At 31 December 2008	£	£	£	£	£
Accruals and deferred income	-	741,125	-	44,903	786,028
Amounts owed to Group undertakings	86,540,775	-	-	-	86,540,775
Total	86,540,775	741,125	-	44,903	87,326,803

iv) 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 2009 (continued)**12 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.

13. 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. The amounts due from Group undertakings are not considered to be impaired. At 31 December 2009 there were no other critical accounting judgements or estimates (2008: none).

14. Ultimate 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.