



Bradford & Bingley Homeloans Management Limited

Accounts 31 December 2000
together with directors' and auditors' reports

Registered number: 2405577



Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of Bradford & Bingley Homeloans Management Limited ("the company"), together with the accounts and auditors' report, for the year ended 31 December 2000.

Principal activity and business review

The company began operations on 10 July 2000 following an agreement between ALLTEL Mortgage Solutions Limited ("AMS") and Bradford and Bingley Investments ("BBI"). AMS is a joint venture between ALLTEL Information Services International Holdings Inc. (Shareholding-74.9%) and BBI (Shareholding-25.1%). BBI is a wholly owned subsidiary of Bradford and Bingley, plc ("BB"). In conjunction with the agreement, AMS acquired 49 A shares for £49 while BBI acquired 51 B shares for £51.

During the year, the company's principal activity 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 6. The directors believe the results are satisfactory and do not recommend the payment of a dividend.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes 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 disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, monthly briefings and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' report (continued)

Directors and their interests

The following directors held office during the year:

J Smith	(Resigned 4 January 2000)
Kevin McGuinness	(Resigned 7 July 2000)
Rosemary Thorne	(Appointed 4 January 2000)
Keith Greenough	(Appointed 9 May 2000)
Christopher Rodrigues	(Appointed 7 July 2000)
James Milligan	(Appointed 7 July 2000)
Nicholas Woodcock	(Appointed 7 July 2000)

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 at present.

The details of the directors share holdings and interests of the ultimate parent company BB are disclosed in those accounts.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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

Arthur Andersen were appointed as auditors to the company on 21 July 2000. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

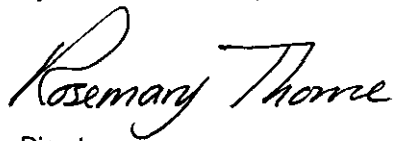
Directors' report (continued)

Liability insurance for company officers

As permitted by the Companies Act 1985, the company has purchased insurance cover for the directors against liabilities in relation to the company.

212 Main Street
Bingley
West Yorkshire
BD16 2HQ

By order of the Board,


Director

25 January 2002

Independent Auditors' report

Independent Auditors' Report to the Shareholders of Bradford & Bingley Homeloans Management Limited

We have audited the financial statements of Bradford & Bingley Homeloans Management Limited for the year ended 31 December 2000 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and the related Notes numbered 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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.

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 with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 Auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2000 and of the company's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

25 January 2002

Profit and loss account

For the year ended 31 December 2000

	Notes	31 December 2000 £
Turnover		8,285,079
Cost of sales	1b	<u>(8,025,420)</u>
Gross profit		259,659
Administrative expenses		<u>(247,563)</u>
Operating profit		12,096
Interest receivable (net)	5	<u>12,904</u>
Profit on ordinary activities before taxation	3	25,000
Tax on profit on ordinary activities	6	<u>(3,634)</u>
Profit on ordinary activities after taxation		<u>21,366</u>
Retained profit, carried forward	12	<u>21,366</u>

There are no recognised gains or losses in the year other than the profit for that year.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible fixed assets	7	9,740	-
Debtors: Amounts falling due within one year	8	2,450,777	-
Cash at bank and in hand		3,389,873	2
		5,840,650	2
Creditors: Amounts falling due within one year	9	(5,828,924)	-
Net current assets		11,726	2
Net assets		21,466	2
Capital and reserves			
Called-up equity share capital	10	100	2
Profit and loss account	12	21,366	-
Total equity shareholders' funds	11	21,466	2

The accounts on pages 6 to 14 were approved by the board of directors on 25 January 2002 and signed on behalf by:

Rosemary Thorne

Director

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

Cash Flow Statement

For the year ended 31 December 2000

	Notes	£000
Net cash inflow from operating activities	13a	3,390,579
Returns on investments and servicing of finance	13b	12,904
Taxation	6	(3,634)
Capital expenditure	13b	(10,076)
		<hr/> 3,389,773
Financing	13b	98
Increase in cash in the year		<hr/> 3,389,871

The accompanying notes are an integral part of this cash flow statement.

Notes to accounts

For the year ended 31 December 2000

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year, are set out below.

a) *Basis of accounting*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting and financial reporting standards.

b) *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.

c) *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	4 years
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d) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and for tax purposes) has not been provided as, in the opinion of the directors, these timing differences will probably not reverse.

e) *Foreign currency*

The accounting records of the company are maintained in pounds sterling. Transactions in foreign currencies are recorded in pounds sterling at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into pounds sterling at rates of exchange at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Pension costs and other post retirement benefits

For the 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.

2 Pension costs

Employees of the company who were previously employed by BB are entitled to membership of the BB Group defined benefit scheme. Further details of the scheme are in the BB accounts. The pension cost charge for the period amounted to £440,012 with no amounts prepaid or accrued at 31 December 2000.

New employees are eligible to join the company's defined contribution scheme. No contributions were made during the period.

3 Profit on ordinary activities

Profit on ordinary activities is stated after charging:

	2000 £
Depreciation	336
Auditors' remuneration for audit services	11,284
Auditors' remuneration for non-audit services	-
Staff costs (see note 4)	<u>3,202,788</u>

4 Staff costs

Particulars of employees are stated below.

	2000 £
Employee costs during the year amounted to:	
Wages and salaries	2,620,188
Pension costs	440,012
Social security costs	<u>142,588</u>
	<u>3,202,788</u>

Notes to accounts (continued)

4 Staff costs (continued)

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

	2000 Number
Administration and support	375

The remuneration of the directors is provided by AISII and BBI.

5 Interest receivable (net)

	2000 £
Bank interest	12,904

6 Tax on profit on ordinary activities

The tax charge for the year comprises:

	2000 £
Corporation tax	3,634
	<u>3,634</u>

Notes to accounts (continued)

7 Tangible fixed assets

The movement in the year was as follows:

	Motor vehicles £	Total £
Cost		
Beginning of year	-	-
Additions	10,076	10,076
End of year	10,076	10,076
Depreciation		
Beginning of year	-	-
Charge	336	336
End of year	336	336
Net book value		
Beginning of year	-	-
End of year	9,740	9,740

8 Debtors: Amounts falling due within one year

	2000 £	1999 £
Amounts owed by parent undertaking	1,661,936	-
Amounts owed by related party	15,586	-
Prepayments	773,255	-
	2,450,777	-

9 Creditors: amounts falling due within one year

	2000 £	1999 £
Amounts owed to related party	4,287,954	-
Amounts owed to parent undertaking	621,662	-
UK corporation tax	3,634	-
Accruals and deferred income	915,674	-
	5,828,924	-

Notes to accounts (continued)

10 Called-up equity share capital

	2000 £	1999 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and un-paid</i>		
100 (1999:2) ordinary shares of £1 each	<u>100</u>	<u>2</u>

The company issued 98 shares on 10 July 2000.

11 Reconciliation of movement in equity shareholders' funds

	2000 £
Opening equity shareholders funds	2
Profit for the year	21,366
Issue of share capital	<u>98</u>
Closing shareholder's funds	<u>21,466</u>

11 Reserves

	Profit and loss account £
At 1 January 2000	-
Retained profit for the year	<u>21,366</u>
At 31 December 2000	<u>21,366</u>

13a) Reconciliation of operating profit to net cash inflow from operating activities

	2000 £
Operating Profit	12,096
Depreciation	336
Increase in debtors	(2,450,777)
Increase in creditors	<u>5,828,924</u>
Net cash inflow from operating activities	<u>3,390,579</u>

Notes to accounts (continued)

13b) Cash flow notes

	2000 £
<i>Returns on investments and servicing of finance</i>	
Interest received	12,904
<i>Capital expenditure</i>	
Payments to acquire tangible fixed assets	10,076
<i>Financing</i>	
Issue of ordinary share capital	98

14 Related Party Transactions

The company issued a total of 98 shares on 10 July 2000. AMS acquired 49 of these shares and BBI acquired 49.

The company also had the following significant transactions with affiliates

	2000 £
Revenue earned from residential loan origination and processing fees from BB	8,212,579
Other revenues earned from BB	72,500
Various other expenses invoiced by AMS including but not limited to management salaries, telephone support, data processing and interest charges	4,273,285

15 Commitments

At the end of the period, capital commitments contracted for but not provided for were £nil (1999:£nil).

16 Ultimate Parent Company

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