

BRADFORD & BINGLEY INVESTMENTS (No. 3) LIMITED

Directors' Report and Financial Statements

Registered number 3326844

31 December 2008

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Directors' Report and Financial Statements

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Company Information

Directors

Phillip Alexander McLelland (appointed 30 June 2009)
Paul Martin Hopkinson

Secretary

John Gornall

Registered office

Croft Road
Crossflatts
Bingley
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

The principal activity of Bradford & Bingley Investments (No.3) Limited ("the Company") during the year was to exist as a vehicle for future investment purposes.

Business review

The results for the year are shown in the Income Statement on page 9. The profit for the year after taxation was £546 (2007: £194).

Dividends

No dividends were paid during the year or preceding year and the Directors do not recommend the payment of a final dividend (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

The Directors who served during the year were as follows:

Peter John Green	(resigned 17 December 2008)
Paul Martin Hopkinson	(appointed 17 December 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 the preceding year.

Mr Willford also served as a Director of the Company's parent undertaking Bradford & Bingley plc. Details of his interests in the ordinary shares of Bradford & Bingley plc are shown in the 2008 annual report and accounts of Bradford & Bingley plc.

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

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 audit information and to establish that the Company's auditors are aware of that information.

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

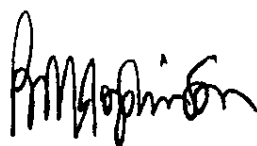
Political and charitable contributions

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

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the board of Directors

A handwritten signature in black ink, appearing to read 'Paul Hopkinson', written in a cursive style.

Paul Hopkinson
Director

17 September 2009

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

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 laws.

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 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 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 Investments (No.3) Limited

We have audited the Financial Statements of Bradford & Bingley Investments (No.3) 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 auditors' 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

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 whether it is consistent with the audited Financial Statements. We consider the implications for our report if we became aware of any apparent misstatement or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

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 Investments (No.3) Limited
(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. The continued availability of the financing facilities and guarantee arrangements provided to the Company's ultimate parent undertaking, Bradford & Bingley plc, by HM Treasury, upon which the Bradford & Bingley plc group and the Company are reliant, is conditional upon approval by the European Commission under the state aid rules. This condition indicates the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. 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 £
Interest receivable and similar income: interest on overpaid tax	<i>2</i>	11	-
Net interest income		11	-
Administrative expenses	<i>3</i>	(29)	(30)
Loss before taxation		(18)	(30)
Taxation	<i>4</i>	564	224
Profit for the financial year		546	194

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

The Company has no recognised income or expense other than those included in the Income Statement above, and therefore no separate Statement of Recognised Income and Expense has been presented.

The notes on pages 13 to 16 form part of these Financial Statements.

Balance Sheet at 31 December

	2008	2007
	£	£
<i>Note</i>		
Current assets		
Cash and cash equivalents	126,830	126,290
Current tax asset	6	-
Total assets	<u>126,836</u>	<u>126,290</u>
Equity		
Capital and reserves attributable to equity holders:		
Share capital	6 100,000	100,000
Retained earnings	26,836	26,290
Total equity	<u>126,836</u>	<u>126,290</u>
Total equity and liabilities	<u>126,836</u>	<u>126,290</u>

The notes on pages 13 to 16 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

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2008	100,000	26,290	126,290
Profit for the financial year	-	546	546
At 31 December 2008	100,000	26,836	126,836
At 1 January 2007	100,000	26,096	126,096
Profit for the financial year	-	194	194
At 31 December 2007	100,000	26,290	126,290

Cash Flow Statement for the year ended 31 December

	2008 £	2007 £
Cash flows from operating activities		
Profit for the financial year	546	194
<i>Adjustments to reconcile net (loss)/profit to cash flow from operating activities:</i>		
Income tax credit	(564)	(224)
Cash flows from operating activities before changes in operating assets and liabilities	(18)	(30)
Income tax received/(paid)	558	(260)
Net increase/(decrease) in cash and cash equivalents	540	(290)
Cash and cash equivalents at beginning of year	126,290	126,580
Cash and cash equivalents at end of year	126,830	126,290
Represented by cash and assets with original maturity of 3 months or less within:		
Cash and cash equivalents	126,830	126,290

Notes to the Financial Statements for the year ended 31 December 2008

1. Principal accounting policies

Bradford & Bingley Investments (No.3) Limited ("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.

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 6.

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) Interest receivable and similar income

For all financial instruments, interest income is recognised in the Income Statement on an effective interest rate ("EIR") basis.

The EIR basis spreads the interest income or interest expense over the expected life of the instrument.

The EIR is the rate that at the inception of the instrument exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount. When calculating the EIR, future cash flows are estimated, considering all contractual terms of the instrument. The calculation includes all directly attributable incremental fees and costs, and all other premia and discounts as well as interest.

(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 treatment 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 have an original maturity of three months or less.

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

2. Interest receivable and similiar income

	2008	2007
	£	£
Interest on overpaid tax	11	-
	<u>11</u>	<u>-</u>

3. Administrative expenses

	2008	2007
	£	£
Bank charges	29	30
	<u>29</u>	<u>30</u>

The Company's audit fee of £1,627 (2007: £1,557) was borne by the Company's ultimate parent undertaking Bradford & Bingley plc.

4. Taxation

	2008	2007
	£	£
Current taxation credit		
UK corporation tax based on loss for the year	(5)	-
Adjustment in respect of previous years	(559)	(224)
Total taxation credit per the Income Statement	<u>(564)</u>	<u>(224)</u>

The current taxation credit is reconciled to the standard

UK corporation tax rate as follows:

Loss before taxation	<u>(18)</u>	<u>(30)</u>
UK corporation tax at 28.5% (2007: 30%)	(5)	(9)
Effects of other tax rates/credits	-	9
Adjustments in respect of previous years	<u>(559)</u>	<u>(224)</u>
Total taxation credit per the Income Statement	<u>(564)</u>	<u>(224)</u>

5. Directors' emoluments and employees

The Directors received no emoluments for the year or preceding year in respect of their services to the Company. Other than the Directors, the Company had no employees during the year or preceding year.

Notes to the Financial Statements for the year ended 31 December 2008 (continued)**6. Share capital**

	2008 £	2007 £
Authorised as at 1 January and 31 December: 200,000,000 ordinary shares of £1 each	200,000,000	200,000,000
Issued and fully paid as at 1 January and 31 December: 100,000 ordinary shares of £1 each	100,000	100,000

7. Critical accounting judgements and estimates

In preparation of the 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).

8. Financial instruments**a) Fair values of financial assets and financial liabilities as at 31 December**

The Company's only financial instruments comprise cash and cash equivalents. The fair value of cash and cash equivalents approximates to its carrying value. The Company did not carry any financial instruments at fair value during the year or preceding year.

b) Nature and extent of risks arising from financial instruments

The main financial risk arising from the Company's activities is 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 deposits with third party banks. The Company's maximum exposure to credit risk at 31 December 2008 was £126,830 (2007: £126,290) being the carrying value of its cash and cash equivalents.

Other market risks

At the year end the Company had no other material exposure to market risks (2007: none).

Concentrations of risk

The Company operates primarily in the United Kingdom (UK) and adverse changes to the UK economy could impact all areas of the Company's business.

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

9. Related party disclosures

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

The Company's audit fee of £1,627 (2007: £1,557) was borne by the Company's ultimate parent undertaking Bradford & Bingley plc.

10. 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.

The Company's ultimate parent undertaking is Bradford & Bingley plc, a public company incorporated in Great Britain under the Companies Act 1985 and registered in England and Wales. The only group of which Bradford & Bingley Investments (No.3) Limited is a member and which prepares consolidated financial statements is Bradford & Bingley plc. Copies of those financial statements can be obtained from the Company Secretary, Bradford & Bingley plc, PO Box 88, Croft Road, Crossflatts, Bingley 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 its ultimate controlling party from that date.

11. 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.