

BRADFORD & BINGLEY INVESTMENTS

Directors' Report and Financial Statements

Registered number: 3326913

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

P.O. Box 88

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 Company's principal activity during the period was that of carrying on an investment business.

Business review

The results for the year are shown in the Income Statement on page 9. The profit for the year after taxation was £48,000 (2007: £353,000).

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.

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

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 preceding year.

Details of Mr Willford's interests in the ordinary shares of the Company's ultimate parent undertaking Bradford & Bingley plc can be found in that company's 2008 Annual Report and Accounts.

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

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

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

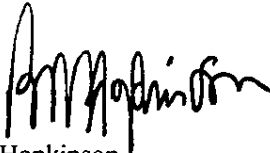
Political and charitable contributions

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

Auditor

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 is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors



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

We have audited the Financial Statements of Bradford & Bingley Investments 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 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 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 (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 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 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 £000	2007 £000
Interest receivable and similar income	2	53	-
Gross profit		<u>53</u>	<u>-</u>
Administrative expenses	4	<u>-</u>	<u>508</u>
Profit before taxation		53	508
Taxation	5	(5)	(155)
Profit for the financial year		<u><u>48</u></u>	<u><u>353</u></u>

The above results 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 the Company's activities are in the United Kingdom.

The notes on pages 13 to 19 form part of these Financial Statements.

Balance Sheet at 31 December

	Note	2008 £000	2007 £000
Assets			
Shares in subsidiary undertakings	6	114,036	114,036
Total non-current assets		<u>114,036</u>	<u>114,036</u>
Trade and other receivables	7	147,646	145,124
Cash and cash equivalents		1	2,621
Total current assets		<u>147,647</u>	<u>147,745</u>
Total assets		<u>261,683</u>	<u>261,781</u>
Liabilities			
Current tax liabilities		8	154
Total current liabilities		<u>8</u>	<u>154</u>
Total liabilities		<u>8</u>	<u>154</u>
Equity			
Capital and reserves attributable to equity holders:			
Share capital	8	233,700	233,700
Retained earnings		27,975	27,927
Total attributable equity		<u>261,675</u>	<u>261,627</u>
Total equity and liabilities		<u>261,683</u>	<u>261,781</u>

The notes on pages 13 to 19 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 £000	Retained earnings £000	Total equity £000
At 1 January 2008	233,700	27,927	261,627
Profit for the financial year	-	48	48
At 31 December 2008	<u>233,700</u>	<u>27,975</u>	<u>261,675</u>
At 1 January 2007	233,700	27,574	261,274
Profit for the financial year	-	353	353
At 31 December 2007	<u>233,700</u>	<u>27,927</u>	<u>261,627</u>

Cash Flow Statement for the year ended 31 December

	2008 £000	2007 £000
Cash flows from operating activities		
Profit for the financial year	48	353
<i>Adjustments for:</i>		
Income tax expense	5	155
Cash flows from operating activities before changes in operating assets and liabilities	53	508
<i>Net increase in operating assets:</i>		
Trade and other receivables	(2,522)	(75,730)
<i>Net decrease in operating liabilities:</i>		
Trade and other payables	-	(2,443)
Cash used in operating activities	(2,469)	(77,665)
<i>Income taxes paid</i>	<i>(151)</i>	<i>(19)</i>
Net cash used in operating activities	(2,620)	(77,684)
Net cash from investing activities		
Disposal of shares in subsidiary undertakings	-	75,718
Net cash from investing activities	-	75,718
Net decrease in cash and cash equivalents	(2,620)	(1,966)
Cash and cash equivalents at beginning of year	2,621	4,587
Cash and cash equivalents at end of year	1	2,621
Represented by cash and assets with original maturity of 3 months or less within:		
Cash and cash equivalents	1	2,621
	1	2,621

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

1. Principal accounting policies

Bradford & Bingley Investments (the "Company") is an unlimited 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 and the functional currency.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group Financial Statements. These Financial Statements present information about the Company as an individual undertaking and not about its group.

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 12.

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 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.

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

1. Principal accounting policies (continued)

(c) Interest receivable

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

(d) Income from investments in subsidiaries

Dividends receivable are recognised by the Company once the right to receive payment is established, in accordance with IAS 18 "Revenue Recognition".

(e) 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.

(f) Shares in subsidiary undertakings

Shares in subsidiary undertakings are carried at cost less any impairment. Shares are reviewed at each Balance Sheet date for any indication of impairment. If there is indication of impairment of any investment, the carrying value of the investment is reviewed, and any impairment identified is charged immediately in the Income Statement.

(g) 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.

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

2. Interest receivable and similar income	2008	2007
	£000	£000
Interest on amounts due from Bradford & Bingley plc	53	-
	<u>53</u>	<u>-</u>

Interest is receivable at 3m Sterling LIBOR.

3. Employees and Directors' emoluments

The Directors received no emoluments for the year or preceding year. Other than the Directors, the Company had no employees during the year or preceding year.

4. Administrative expenses

Auditors' remuneration of £3,796 (2007: £3,633) was borne by the Company's ultimate parent undertaking Bradford & Bingley plc.

5. Taxation

	2008	2007
	£000	£000
Current taxation expense:		
UK corporation tax charge on the profit for the financial year	15	152
Adjustments in respect of previous years	(10)	3
Total taxation charge per the Income Statement	<u>5</u>	<u>155</u>
 Profit before taxation	 <u>53</u>	 <u>508</u>
 UK corporation tax at 28.5% (2007: 30%)	 15	 152
Effects of:		
Non-taxable income	-	3
Adjustments in respect of previous years	(10)	-
Total taxation charge per the Income Statement	<u>5</u>	<u>155</u>

There was no deferred taxation provided or unprovided during the year (2007: £nil).

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

6. Shares in subsidiary undertakings

	2008 £000	2007 £000
Cost		
At beginning of year	212,568	288,286
Disposals of shares in subsidiary undertakings	-	(75,718)
At end of year	<u>212,568</u>	<u>212,568</u>
Impairment		
At beginning and end of year	<u>98,532</u>	<u>98,532</u>
Net book value at beginning of year	<u>114,036</u>	<u>189,754</u>
Net book value at end of year	<u>114,036</u>	<u>114,036</u>

During 2007 the Company sold £75,718,000 of preference shares in Mortgage Express.

Company	Principal activity	Class of shares	Percentage held
Direct holdings			
Bradford & Bingley Homeloans Management Ltd	b	Ordinary	51%
Bradford & Bingley Homeloans Ltd	f	Ordinary	100%
Leamington Mortgage Corporation Ltd	g	Ordinary	100%
Bradford & Bingley Investments (No2) Ltd	c	Ordinary	100%
Bradford & Bingley Investments (No3) Ltd	c	Ordinary	100%
Bradford & Bingley Properties (No3) Ltd	d	Ordinary	100%
Mortgage Express	a	Ordinary	99.76%
Bradford & Bingley COS Ltd	h	Ordinary	100%
Alltel Mortgage Solutions Ltd	e	Ordinary	100%
Bradford & Bingley Dormant 15 Ltd	g	Ordinary	100%
a) Mortgage lending and administration	f) Non-trading		
b) Mortgage origination and processing services	g) Dormant		
c) Investment business	h) Provision of vehicle finance to Bradford & Bingley plc		
d) Property holding company			
e) Consulting and support services			

7. Trade and other receivables

	2008 £000	2007 £000
Amounts due from parent undertaking Bradford & Bingley plc	129,051	126,571
Amounts due from subsidiary undertakings	18,500	18,553
Amounts due from fellow subsidiary of Bradford & Bingley plc	95	-
	<u>147,646</u>	<u>145,124</u>

The trade and other receivables are repayable on demand.

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

8. Share capital

	2008 £000	2007 £000
Authorised at 1 January and 31 December: 257,000,000 ordinary shares of £1 each	<u>257,000</u>	<u>257,000</u>
Issued and fully paid at 1 January and 31 December: 233,700,000 ordinary shares of £1 each	<u>233,700</u>	<u>233,700</u>

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 during the financial year or the preceding financial year.

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

	2008 £000	2007 £000
Interest and similar income	53	-

Auditors' remuneration of £3,796 (2007: £3,633) was borne by the Company's parent undertaking Bradford & Bingley plc.

Details of the Company's balances and investments with Group undertakings are provided in notes 6 and 7.

10. Ultimate parent undertaking

The Company's immediate and ultimate 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, in whose consolidated financial statements this Company is included and whose Report and Accounts can be obtained from the Company Secretary, 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 Company's ultimate controlling party from that date.

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

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.

12. Critical accounting judgements and estimates

In preparation of the accounts 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 principal estimates made by the Directors relate to the carrying value of investments; the Directors believe the carrying values to be fully supported by the investee entities' assets and cash flows.

13. Financial instruments

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

Financial assets

At 31 December 2008	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000
Trade and other receivables	147,646	147,646	147,646	1,476
Cash and cash equivalents	1	1	1	-
Total financial assets	147,647	147,647	147,647	1,476

At 31 December 2007	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000
Trade and other receivables	145,124	145,124	145,124	1,451
Cash and cash equivalents	2,621	2,621	2,621	-
Total financial assets	147,745	147,745	147,745	1,451

No financial assets were carried at fair value during the year or preceding year, but their fair values approximate to their carrying values.

b) Nature and extent of risks arising from financial instruments

The Company does not enter into transactions involving financial assets or liabilities which are listed or publicly traded or for which a liquid market exists. The main financial risk arising from the Company's activities is credit risk.

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

13. Financial instruments (continued)

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

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 connected undertakings and deposits with third party banks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, as set out in the table below.

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

	2008	2007
	£000	£000
Trade and other receivables	147,646	145,124
Cash and cash equivalents	1	2,621
Total maximum exposure to credit risk	<u>147,647</u>	<u>147,745</u>

ii) Other market risks

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

iii) Concentrations of risk

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