BRADFORD & BINGLEY INVESTMENTS

Directors' Report and Financial Statements

Registered number: 3326913

31 December 2011

Directors' Report and Financial Statements

Contents **Page**

Company Information

Directors

Phillip Alexander McLelland
Paul Martin Hopkinson

Secretary

John Gornall

Registered Office

Croft Road
Crossflatts
Bingley
West Yorkshire
BD16 2UA

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Directors' Report for the financial year ended 31 December 2011

Registered number 3326913

The Directors present their Report and Financial Statements for the financial year ended 31 December 2011

Principal activity
On 1 October 2010 UK Asset Resolution Ltd ('UKAR') was established as the holding company for Northern Rock (Asset Management) plc ('NRAM') and Bradford & Bingley plc ('B&B'), bringing together the two brands under shared management and a common Board of Directors UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated Bradford & Bingley Investments ('the Company') is an unlimited company incorporated and domiciled in the United Kingdom The Company's principal activity during the year was that of a holding company The Company's immediate parent undertaking is Bradford & Bingley plc ('B&B') a public company incorporated and domiciled in the United Kingdom B&B and its subsidiary undertakings are collectively referred to as the 'B&B Group'

Business review
The results for the year are shown in the Statement of Comprehensive Income on page 8 The profit for the financial year after taxation was £674 000 (2010 £29,000 profit)

Dividends
During the financial year the Company paid a dividend of £9,999,997 (2010 £nil) to its immediate parent undertaking The Company also returned capital of £120,000,000 (2010 £nil) to its immediate parent undertaking

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 financial year were as follows

Paul Martin Hopkinson
Phillip Alexander McLelland

None of the Directors held any interest in the ordinary shares of the Company during the year or preceding year None of the Directors had an interest in the loan capital of B&B or any other interest in the share or loan capital of its subsidiaries

Key performance indicators
The Company has not made a loss (2010 £nil)

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 key risks and uncertainties faced by the Company are managed within the framework established for the B&B Group

The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness The effectiveness of the risk management is then monitored on an ongoing basis Details of the Company's risks and their management and control are provided in note 12, and further discussion in the context of the B&B Group as a whole is provided in that Group's 2011 Annual Report & Accounts which do not form part of this Report and Financial Statements

The Company's operations are also subject to periodic review by the B&B internal audit department

Political and charitable contributions
During the year no political or charitable contributions were made (2010 £nil)

Directors' Report for the year ended 31 December 2011 (continued)

Registered number 3326913

Third party indemnities

The Articles of Association provide the power to indemnify any Director against liabilities incurred as a result of their office

UKAR has also provided each Director with a Deed of Indemnity indemnifying them to the fullest extent permitted by law against all losses suffered or incurred in respect of acts and omissions arising as a result of holding office The indemnities also extend to the reimbursement of each Director with the costs of defending all claims, actions and proceedings including regulatory investigation arising out of or connected with the exercise of, or failure to exercise, any of the Director's powers, duties or responsibilities as an officer, director, trustee, agent or employee of the UKAR Group and any of its subsidiaries Reimbursement is subject to the Director's obligation to repay UKAR in accordance with the provisions of the Companies Act 2006 The payment obligations of the Company under each Deed of Indemnity are backed by a specific guarantee in favour of the Director entered into between each Director and HM Treasury

UKAR has also arranged Directors' and Officers' Insurance on behalf of the Directors in accordance with the provisions of the Companies Act 2006

Independent auditors

During the year KPMG resigned as auditor to the Company and the Directors have appointed PricewaterhouseCoopers LLP ('PwC') In accordance with the Companies Act 2006 a resolution for the re-appointment of PwC as auditor of the Company is to be proposed at the forthcoming Annual General Meeting

On behalf of the Board of Directors

Paul Martin Hopkinson
Director
21 September 2012

Statement of Directors' Responsibilities

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')

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 applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements, 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

Paul Martin Hopkinson
Director
21 September 2012

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 2011 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 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

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, and express an opinion on, 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements In addition we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited Financial Statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its profit and cash flows 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

Gary Shaw (Senior Statutory Auditor)
for and behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

21 September 2012

Statement of Comprehensive Income for the financial year ended 31 December

	Note	2011 £000	2010 £000
Interest receivable and similar income	*2*	**24**	19
Dividend income from investments in subsidiary undertakings	*6*	**4,089**	-
Gross profit		**4,113**	19
Operating expenses	*4*	**-**	(1)
Impairment of investment in subsidiary undertaking	*6*	**(3,435)**	-
Profit before taxation		**678**	18
Taxation	*5*	**(4)**	11
Profit for the financial year		**674**	29
Other comprehensive income for the financial year		**-**	-
Total comprehensive income for the financial year		**674**	29

The Company's business and operations comprise one single activity in the United Kingdom, and the Company has only one operating segment for the purposes of IFRS 8 'Operating Segments' The results above arise from continuing activities and are attributable to the equity shareholder

The notes on pages 12 to 18 form an integral part of these Financial Statements

Balance Sheet at 31 December

Registered number: 3326913

	Note	2011 £000	2010 £000
Assets			
Investments in subsidiary undertakings	6	**100,419**	115,036
Total non-current assets		**100,419**	115,036
Amounts due from Group undertakings	7	**30,712**	258,459
Cash and cash equivalents		**1**	1
Total current assets		**30,713**	258,460
Total assets		**131,132**	373,496
Liabilities			
Amounts due to Group undertakings		**1,715**	114,754
Current tax liabilities		**5**	4
Total current liabilities		**1,720**	114,758
Total liabilities		**1,720**	114,758
Equity			
Capital and reserves attributable to equity holders			
Share capital	8	**113,700**	233,700
Retained earnings		**15,712**	25,038
Total attributable equity		**129,412**	258,738
Total equity and liabilities		**131,132**	373,496

The notes on pages 12 to 18 form an integral part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on 21 September 2012 and signed on its behalf by

Paul Martin Hopkinson
Director
21 September 2012

Statement of Changes in Equity for the financial year ended 31 December

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2011	**233,700**	**25,038**	**258,738**
Total comprehensive income for the financial year	**-**	**674**	**674**
Dividend[1]	**-**	**(10,000)**	**(10,000)**
Reduction in share capital[1]	**(120,000)**	**-**	**(120,000)**
At 31 December 2011	**113,700**	**15,712**	**129,412**
At 1 January 2010	233,700	25,009	258,709
Total comprehensive income for the financial year	-	29	29
At 31 December 2010	233,700	25,038	258,738

[1] See note 8

Cash Flow Statement for the financial year ended 31 December

	2011 £000	2010 £000
Cash flows from operating activities		
Profit before tax	**678**	18
Cash flows from operating activities before changes in operating assets and liabilities	**678**	18
Net (decrease)/increase in operating liabilities		
Amounts due to Group undertakings	**(113,039)**	114,754
Net decrease/(increase) in operating assets		
Amounts due from Group undertakings	**227,747**	(113,765)
Investments in subsidiary undertakings	**14,617**	(1,000)
Cash generated by operations	**130,003**	7
Taxation paid	**(3)**	(7)
Net cash from operating activities	**130,000**	-
Cash flows used in financing activities		
Dividend paid to parent undertaking	**(10,000)**	-
Reduction in share capital	**(120,000)**	-
Net cash used in financing activities	**(130,000)**	-
Net change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of the financial year	**1**	1
Cash and cash equivalents at end of the financial year	**1**	1
Represented by cash and assets with original maturity of 3 months or less within:		
Cash and cash equivalents	**1**	1
	1	1

All cash is held in banks with a credit rating of A or above

Notes to the Financial Statements for the financial year ended 31 December 2011

1 Principal accounting policies

Bradford & Bingley Investments (the 'Company') is an unlimited company incorporated and domiciled in the United Kingdom

(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 2011 Financial Statements, including the 2010 comparative financial information where applicable, the Company has adopted for the first time the following statements

- The November 2009 amendments to IAS 24 'Related Party Disclosures', which clarified the disclosure requirements for Government-related entities and was effective from 1 January 2011

- The October 2010 amendments to IFRS 7 'Financial Instruments Disclosures' regarding enhancement of disclosures of transfers of financial assets

For these 2011 Financial Statements the Company has not adopted the following statements

- IFRS 9 'Financial Instruments', sections of which have been issued as part of the International Accounting Standards Board's ('IASB's') project to replace IAS 39 'Financial Instruments Recognition and Measurement', and the associated amendments to IFRS 7 These Statements are expected to be mandatory for 2015 Financial Statements, with 2014 comparative information, but have not yet been adopted for use in the EU

- IFRS 13 'Fair Value Measurement' This statement is expected to be mandatory for 2013 Financial Statements, with 2012 comparative information, but has not yet been adopted for use in the EU

- The December 2010 amendments to IAS 12 'Income Taxes' relating to 'Deferred Tax Recovery of Underlying Assets' This amendment is expected to be mandatory for 2012 Financial Statements, with 2011 comparative information, but has not yet been adopted for use in the EU

- The June 2011 amendments to IAS 1 'Presentation of Financial Statements' relating to 'Presentation of Items of Other Comprehensive Income' This statement is mandatory for 2013 Financial Statements, with 2012 comparative information

- The December 2011 amendments to IFRS 7 and IAS 32 'Financial Instruments Presentation' relating to the offsetting of financial assets and financial liabilities This statement is expected to be mandatory for 2013 Financial Statements, with 2012 comparative information, but has not yet been adopted for use in the EU

All other new standards, amendments to standards and interpretations are not considered relevant to and have no impact upon the Financial Statements of the Company

The Financial Statements 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 presented in pounds sterling, which is the currency of the Company's primary operating environment, and on a going concern basis The Financial Statements are prepared on the historical cost basis except for financial instruments classified as 'at fair value through profit or loss'

The Company is exempt by virtue of s400 of the Companies Act 2006 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

The Directors consider that the accounting policies set out in this note are the most appropriate to the Company's circumstances, have been consistently applied to the Company in dealing with items which are considered material, and are supported by reasonable and prudent estimates and judgements

The Financial Statements have been prepared in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS A summary of accounting policies is set out below The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 11)

Notes to the Financial Statements for the financial year ended 31 December 2011 (continued)

1 Principal accounting policies (continued)

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 parent undertaking B&B At the date of approval of these Financial Statements the B&B Group is reliant on the financing facilities and also upon the guarantee arrangements provided to B&B by HM Treasury Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the B&B Group, and consequently this Company's operations and its 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 1 October 2013

(c) Interest receivable

For all financial assets, interest income is recognised in the Statement of Comprehensive Income 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 subsidiary undertakings

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

(e) Taxation

(i) Current tax
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 Tax relating to items which are taken directly to reserves is also taken directly to reserves

(ii) Deferred tax
Deferred tax is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled
Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised

(f) Investments 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 Statement of Comprehensive Income

(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 financial year ended 31 December 2011 (continued)

2. Interest receivable and similar income

	2011 £000	2010 £000
Interest on amounts due from B&B	**24**	19
	24	19

Interest is receivable at 3 month Sterling LIBOR

3. Employees and Directors' emoluments

The Directors received no emoluments for the financial year or preceding financial year The Company had no employees during the financial year or preceding financial year

4. Operating expenses

Auditors' remuneration of £3,464 (2010 £3,872) was borne by the Company's parent undertaking B&B

5 Taxation

	2011 £000	2010 £000
Current taxation expense		
UK corporation tax charge on the profit for the financial year	**5**	4
Adjustments in respect of previous years	**(1)**	(15)
Total taxation charge/(credit) per the Statement of Comprehensive Income	**4**	(11)
Profit before taxation	**678**	18
UK corporation tax at 26 5%/28 0%	**180**	5
Effects of		
Expenses not deductible for taxation	**695**	-
Non-taxable income	**(828)**	-
Other tax rates/credits	**(42)**	(1)
Adjustments in respect of previous years	**(1)**	(15)
Total taxation charge/(credit) per the Statement of Comprehensive Income	**4**	(11)

The standard rate of Corporation Tax liability in the UK changed from 28% to 26% with effect from 1 April 2011 Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26 5%

There was no deferred taxation provided or unprovided during the financial year (2010 £nil)

Notes to the Financial Statements for the financial year ended 31 December 2011 (continued)

6 Investments in subsidiary undertakings

	2011 £000	2010 £000
Cost		
At beginning of year	**216,588**	215,588
Return of capital	**(11,183)**	-
Additional investment in subsidiary undertaking	**1**	1,000
At end of year	**205,406**	216,588
Impairment		
At beginning of year	**101,552**	101,552
Impairment charge	**3,435**	-
At end of year	**104,987**	101,552
Net book value at beginning of year	**115,036**	114,036
Net book value at end of year	**100,419**	115,036

Company	Equity at 31 December 2011 £000	Profit after tax 2011 £000	Principal activity	Class of shares	Percentage held
Direct holdings					
Mortgage Express	134 330	88,550	a	Ordinary	99 58%
Bradford & Bingley Homeloans Management Ltd	-	-	d	Ordinary	51%
Bradford & Bingley COS Ltd	1,593	62	b	Ordinary	100%
Bradford & Bingley Properties (No3) Ltd	420	2	c	Ordinary	100%
Alltel Mortgage Solutions Ltd	-	-	d	Ordinary	100%
Bradford & Bingley Homeloans Ltd	-	-	d	Ordinary	100%
Leamington Mortgage Corporation Ltd	-	-	e	Ordinary	100%
Bradford & Bingley Investments (No2) Ltd	12	-	d	Ordinary	100%
Bradford & Bingley Investments (No3) Ltd	12	-	d	Ordinary	100%
Bradford & Binglev Dormant 15 Ltd	89	-	e	Ordinary	100%
Bradford & Bingley Mortgage Management Ltd	-	-	d	Ordinary	100%
Spicedeck Limited	1	-	d	Ordinary	99 80%

a) Mortgage lending and administration
b) Provision of vehicle finance to Bradford & Bingley plc
c) Property holding company
d) Non-trading
e) Dormant

All of these companies are incorporated in the UK

During the financial year the Company acquired control of Spicedeck Limited by Spicedeck Limited issuing 1,000 £1 ordinary shares, taking Spicedeck's issued share capital to 1,002 The Company also impaired its investment of £3,434,900 in its subsidiary undertaking

During the financial year, the Company received dividends of £4,089,000 from certain of its subsidiary undertakings

7 Amounts due from Group undertakings

	2011 £000	2010 £000
Amounts due from parent undertaking B&B	**2,470**	161,420
Amounts due from fellow subsidiary of B&B	**28,242**	97,039
	30,712	258,459

The amounts due from Group undertakings are repayable on demand and are not considered to be impaired

Notes to the Financial Statements for the financial year ended 31 December 2011 (continued)

8. Share capital

	2011 £000	2010 £000
Issued and fully paid Ordinary shares of £1 each		
At 1 January	**233,700**	233,700
Reduction in capital	**(120,000)**	-
At 31 December	**113,700**	233,700

These shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up

During the financial year the Company returned £120,000,000 of capital to its immediate parent undertaking B&B The Company's authorised share capital remained unchanged at 257 000 000 ordinary £1 shares

The Company also made a dividend payment of £9,999,997 during the year to B&B being 8 8p per issued share

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 financial year and previous financial year the Company undertook the following transactions with companies within the B&B Group

	2011 £000	2010 £000
Interest and similar income	**24**	19
Dividend income from subsidiary undertakings	**4,089**	-

Auditors' remuneration of £3,464 (2010 £3,872) was borne by the Company's parent undertaking B&B

Details of the Company's amounts due from and investments with Group undertakings are provided in notes 6 and 7
The Company owed £1 715 000 to Group undertakings at 31 December 2011 (2010 £114,754,000)

As detailed in note 8 the Company paid a dividend and reduced its share capital during the financial year

10. 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

11 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 The principal estimates made by the Directors relate to the carrying value of assets, the Directors believe the carrying values of shares in subsidiary undertakings to be fully supported by the investee entities' assets and cash flows, and the amounts due from Group undertakings not to be impaired

Notes to the Financial Statements for the financial year ended 31 December 2011 (continued)

12 Financial instruments

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

At 31 December 2011

Financial assets	Assets at fair value through profit or loss - on initial recognition	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000
Amounts due from Group undertakings	-	30,712	30,712	30,712	307
Cash and cash equivalents	-	1	1	1	-
Total financial assets	-	**30,713**	**30,713**	**30,713**	**307**

At 31 December 2011

Financial liabilities	Liabilities at fair value through profit or loss - on initial recognition	Liabilities at amortised cost	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000
Amounts due to Group undertakings	-	1,715	1,715	1,715	17
Total financial liabilities	-	**1,715**	**1,715**	**1,715**	**17**

At 31 December 2010

Financial assets	Assets at fair value through profit or loss - on initial recognition	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000
Amounts due from Group undertakings	-	258,459	258,459	258,459	2,585
Cash and cash equivalents	-	1	1	1	-
Total financial assets	-	258,460	258,460	258,460	2,585

At 31 December 2010

Financial liabilities	Liabilities at fair value through profit or loss - on initial recognition	Liabilities at amortised cost	Total carrying value	Fair value	If fair values increased by 1%
	£000	£000	£000	£000	£000
Amounts due to Group undertakings	-	114,754	114 754	114,754	1,148
Total financial liabilities	-	114,754	114,754	114,754	1 148

No financial assets or financial liabilities were carried at fair value during the financial year or preceding financial 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

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

	2011	2010
	£000	£000
Amounts due from Group undertakings	30,712	258,459
Cash and cash equivalents	1	1
Total maximum exposure to credit risk	30,713	258,460

ii) Other market risks

At the year end the Company had no other material exposure to market risks (2010 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

Notes to the Financial Statements for the financial year ended 31 December 2011 (continued)

13. Ultimate parent undertaking

The Company's immediate parent undertaking is Bradford & Bingley plc, a public company incorporated and domiciled in the United Kingdom B&B heads the smallest group of companies into which the Financial Statements of the Company are consolidated Copies of the financial statements of B&B 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 B&B to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008, the Company considered Her Majesty's Government to be its ultimate controlling party from that date On 1 October 2010 all shares in B&B were acquired via a share-for-share exchange by UK Asset Resolution Limited, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury The Company considers Her Majesty's Government to remain its ultimate controlling party UK Asset Resolution Limited heads the largest group of companies into which the Financial Statements of the Company are consolidated Copies of the financial statements of UK Asset Resolution Limited may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA

14. Events after the reporting period

Since 31 December 2011 the Company has acquired the following subsidiary undertakings for a total of £4,002

Finance for Mortgages Limited
HSMS
Mortgage Express (No2)
Scotlife Homeloans (No2) Limited
Silhouette Mortgages Limited