

BRADFORD & BINGLEY INVESTMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2003

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Registered No: 3326913



BRADFORD & BINGLEY INVESTMENTS LIMITED

DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

Peter J. Green	BA (Hons)
Christopher J. Rodrigues	BA (Hons) (Cantab) MBA (Harvard) FRSA (Resigned 31st March, 2004)
Rosemary P. Thorne	BSc (Hons) FCMA FCT CIMgt

SECRETARY

A. F. Shankley	ACIS
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REGISTERED OFFICE

Croft Road
Crossflatts
Bingley
West Yorkshire
BD16 2UA

AUDITORS

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

BRADFORD & BINGLEY INVESTMENTS

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31st December 2003.

Principal Activities

The company continued to carry on an investment business.

Results and Dividend

The result for the year ended 31st December 2003 was a profit after tax of £58,612,000 (2002: £11,380,000). The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the year were as follows:

Peter J. Green
Christopher J. Rodrigues
Rosemary P. Thorne

None of the directors has any beneficial interest in the share capital of the company.

Christopher J Rodrigues and Rosemary P Thorne are also directors of Bradford & Bingley plc and their interests in its share capital are disclosed in the annual report of that company. Christopher J. Rodrigues resigned as a director on 31st March 2004.

Director's interest in ordinary shares

	At 31 December 2002	Granted / (Lapsed) during year	At 31 December 2003	Option Price
Peter J. Green				
Directors share options				
Performance Share Plan	19,251	-	19,251	311.67
Performance Share Plan	19,012	-	19,012	315.58
Performance Share Plan	-	22,260	22,260	281.67
Executive Share Options	28,876	-	28,876	311.67
Executive Share Options	19,012	-	19,012	315.58
Executive Share Options	9,507	-	9,507	329.75
Executive Share Options	-	33,390	33,390	281.67

On 31 December 2003, the closing market price of ordinary shares in Bradford & Bingley plc was 305p and the range during the year to 31 December 2003 was 357p to 245p.

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.

Auditors

A resolution to re-appoint KPMG Audit Plc as auditor of the company is to be proposed at the forthcoming Annual General Meeting

Creditor payment policy

It is the general policy of the Company to pay creditor invoices 30 days following the invoice date. The Company is willing to consider requests by small suppliers for a shorter settlement period.

Charitable donations

No political or charitable donations were made during the year.

BRADFORD & BINGLEY INVESTMENTS

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities

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

By order of the Board of Directors



A.F. Shankley, Secretary
12 October 2004

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRADFORD & BINGLEY
INVESTMENTS**

We have audited the financial statements on pages 5 to 12.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the director's report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the accounts 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
12 October 2004

1 The Embankment
Neville Street
Leeds
LS1 4DW

BRADFORD & BINGLEY INVESTMENTS

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2003


	Note	2003	2002
		£'000	£'000
Income from investments	2	66,508	21,200
Administrative expenses		(5,101)	(6,279)
Other operating charges		<u>-</u>	<u>(363)</u>
Operating profit		61,407	14,558
Amounts written off fixed asset investments		<u>-</u>	<u>(1,397)</u>
Profit on ordinary activities before tax , interest and financing income		61,407	13,161
Interest receivable		259	282
Interest payable		(5,278)	(6,017)
(Loss) / profit from securitised operations	13	<u>(72)</u>	<u>56</u>
Profit on ordinary activities before taxation	3	56,316	7,482
Tax on profit on ordinary activities	5	<u>2,296</u>	<u>3,898</u>
Profit on ordinary activities after taxation	11	<u><u>58,612</u></u>	<u><u>11,380</u></u>

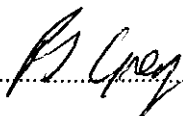
BRADFORD & BINGLEY INVESTMENTS

BALANCE SHEET AS AT 31ST DECEMBER 2003

	Note	2003	2003	2002	2002
		£'000	£'000	£'000	£'000
FINANCIAL FIXED ASSETS					
Investments in subsidiaries	6 & 14	285,180		283,141	
Debt securities	6 & 7	18		19	
Debentures	6	<u>4,425</u>		<u>9,521</u>	
			289,623		292,681
MORTGAGES					
Securitised assets		281,543		361,324	
Less: Non-recourse funding	13	<u>(245,531)</u>		<u>(325,239)</u>	
			36,012		36,085
CURRENT ASSETS					
Debtors	8	97,978		50,715	
Cash at bank		<u>38,531</u>		<u>22,091</u>	
		136,509		72,806	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(148,013)</u>		<u>(146,053)</u>	
NET CURRENT LIABILITIES			<u>(11,504)</u>		<u>(73,247)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			314,131		255,519
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	9		<u>(36,000)</u>		<u>(36,000)</u>
TOTAL ASSETS LESS TOTAL LIABILITIES			<u>278,131</u>		<u>219,519</u>
CAPITAL & RESERVES					
Called up share capital	10		233,700		233,700
Profit and loss account	11		<u>44,431</u>		<u>(14,181)</u>
Shareholder's funds	12		<u>278,131</u>		<u>219,519</u>

Approved by the Board of Directors on 12 October 2004 and signed on its behalf by:

R.P. Thorne  Director

P.J. Green  Director

The notes on pages 7 to 12 form part of these financial statements.

BRADFORD & BINGLEY INVESTMENTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2003

1. PRINCIPAL ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards. Under Financial Reporting Standard 5 (Reporting the Substance of Transactions), the quasi-subsidaries transactions are reflected in the financial statements. The commercial effect of the company's transactions and the resulting assets, liabilities gains and losses are fairly represented in these financial statements. Group accounts have not been prepared because the company is a wholly owned subsidiary of Bradford & Bingley plc whose principal place of business is shown in Note 15.

(b) INCOME FROM INVESTMENTS

Income from investments comprises gross interest and dividends receivable on financial assets and is recognised on an accruals basis.

(c) INTEREST RECEIVABLE

Interest receivable comprises gross interest receivable on inter-company loans and is recognised on an accruals basis.

(d) FINANCIAL FIXED ASSETS

Debt securities and debentures intended for use on a continuing basis in the Group's activities are classified as investment securities and are stated at cost as adjusted for the amortisation of any premiums or discounts arising on acquisition, which are amortised over the period to redemption. Any such amortisation is included in interest receivable. Provision is made for any impairment in value.

(e) TAXATION

Corporation tax and any group relief arising is provided at the current rate on the taxable profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred taxation in accordance with Financial Reporting Standard No 19: Deferred Tax.

(f) ADVANCES SUBJECT TO NON-RECOURSE FUNDING

Commercial assets subject to non-recourse funding are included in the balance sheet using the linked presentation method. Such balances are stated at book value. Premiums paid in order to obtain rights to the residual income generated by any securitisation vehicle will be amortised over the estimated economic life of the securitisation vehicle in line with net interest receivable.

(g) RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8, the company is exempt from disclosing transactions within the Bradford & Bingley plc group as 90% or more of its voting rights are controlled within that group, whose annual report and accounts are publicly available.

(h) CASH FLOW STATEMENTS

Under Financial Reporting Standard No 1 (Revised), the company is exempt from preparing a cash flow statement as 90% or more of its voting rights are controlled within the Bradford & Bingley plc group, whose annual report and accounts are publicly available.

BRADFORD & BINGLEY INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. INCOME FROM INVESTMENTS

	2003	2002
	£'000	£'000
Interest on debenture - Tier 1	47	51
Interest on debenture - Tier 2	4,130	5,400
Interest on bank deposits	1,132	729
Interest on debt securities	1	1
Dividends receivable	61,198	15,019
	<u>66,508</u>	<u>21,200</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit before taxation is after charging:	2003	2002
	£'000	£'000
Auditors' remuneration - audit services	5	4
Amortisation of debenture premium	5,096	6,275
Amortisation of debt	1	-

4. DIRECTORS AND EMPLOYEES

The directors received no emoluments for the year. Other than the directors, the company had no employees during the year.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The tax relief, based on the profit for the year, is calculated as follows:

	2003	2002
	£'000	£'000
Tax relief at 30%	2,682	3,898
Under provision of tax in respect of previous periods	(386)	-
	<u>2,296</u>	<u>3,898</u>

(b) The 2003 current tax credit of £2,296,000 (2002: £3,898,000) equates to an effective tax rate of -4.1% (2002: -52.1%)

This is reconciled to the standard UK rate as follows:

	2003	2002
	%	%
Standard rate of corporation tax	30.0	30.0
Effects of :		
Adjustments in respect of previous periods	0.7	-
Non-taxable income	(34.8)	(82.1)
	<u>(4.1)</u>	<u>(52.1)</u>

BRADFORD & BINGLEY INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. FINANCIAL FIXED ASSETS

	Shares £'000	Debt Securities £'000	Debentures £'000	Total £'000
Cost				
At beginning of year	286,247	19	23,734	310,000
Additional investment	2,039	-	-	2,039
At end of year	<u>288,286</u>	<u>19</u>	<u>23,734</u>	<u>312,039</u>
Provisions / Amortisation				
At beginning of year	3,106	-	14,213	17,319
Amortisation of debenture premium	-	1	5,096	5,097
At end of year	<u>3,106</u>	<u>1</u>	<u>19,309</u>	<u>22,416</u>
Net book value				
At 31 December 2003	<u>285,180</u>	<u>18</u>	<u>4,425</u>	<u>289,623</u>
At 31 December 2002	<u>283,141</u>	<u>19</u>	<u>9,521</u>	<u>292,681</u>

7. DEBT SECURITIES

	2003 £'000	2002 £'000
Investments in United Kingdom gilts: at amortised cost	<u>18</u>	<u>19</u>
at market value	<u>18</u>	<u>19</u>

8. DEBTORS

	2003 £'000	2002 £'000
Loan to fellow subsidiary undertaking	7,409	7,150
Other Debtors	4,130	5,403
Corporation tax	25,439	23,143
Dividends receivable	<u>61,000</u>	<u>15,019</u>
	<u>97,978</u>	<u>50,715</u>

9. CREDITORS

	2003 £'000	2002 £'000
<u>Amounts Falling Due Within One Year</u>		
Bank Loans and Overdrafts	-	70,098
Loan from fellow subsidiary undertaking	147,404	72,149
Accruals and deferred income	<u>609</u>	<u>3,806</u>
	<u>148,013</u>	<u>146,053</u>
<u>Amounts Falling Due After One Year</u>		
Amounts owed to group undertakings	<u>36,000</u>	<u>36,000</u>

BRADFORD & BINGLEY INVESTMENTS**NOTES TO THE FINANCIAL STATEMENTS (continued)****10. SHARE CAPITAL**

	2003 £'000	2002 £'000
Ordinary shares of £1 each:		
Authorised at 1 January and 31 December	257,000	257,000
Allotted, called up and fully paid at 1 January and 31 December	233,700	233,700

The whole of the allotted share capital is held by Bradford & Bingley plc which is registered in England and Wales under the Companies Act 1985.

11. PROFIT & LOSS ACCOUNT

	£'000
At 31st December 2002	(14,181)
Retained profit on ordinary activities after taxation	58,612
At 31st December 2003	44,431

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	58,612	11,380
Opening shareholders' funds at 1st January	219,519	208,139
Shareholders' funds at 31st December	278,131	219,519

13. SECURITISED OPERATIONS OF AIRE VALLEY FINANCE PLC**Profit and loss accounts**

	2003 £'000	2002 £'000
Interest receivable	18,433	25,539
Interest payable	(12,929)	(18,141)
Operating profit	5,504	7,398
Administrative expenses	695	(106)
Profit on ordinary activities before taxation	6,199	7,292
Tax on profit on ordinary activities	(2,141)	(1,836)
Profit on ordinary activities after taxation	4,058	5,456
Dividend	(4,130)	(5,400)
Retained (loss) / profit for the year	(72)	56

Non-recourse amounts received

Creditors:		
A' Loan notes (net of issue costs)	245,531	325,239

BRADFORD & BINGLEY INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. SECURITISED OPERATIONS OF AIRE VALLEY FINANCE PLC (continued)

A quasi-subsiidiary of Bradford & Bingley Investments (BBI), Aire Valley Finance plc, has a portfolio of residential mortgage assets. The portfolio was funded by the issue of £989m of bonds, serviceable only from the cash flows generated by the mortgage portfolio, together with £36.0m of subordinated finance from Bradford & Bingley plc.

BBI is not obliged to support any losses in respect of these mortgages nor does it intend to do so. This is clearly stated in the agreement with the bondholders.

The controlling interest of the capital of AVFP is held by a discretionary trust. BBI is entitled to any residual income arising after the claims of the bondholders and fees for servicing the mortgage portfolio have been met.

14. INVESTMENTS

Company name	2003 £'000	2002 £'000
Bradford & Bingley Mortgage Management Ltd	1,000	1,000
Bradford & Bingley Homeloans Ltd	1,000	1,000
Leamington Mortgage Corporation Ltd	2,000	2,000
Bradford & Bingley Investments (No2) Ltd	100	100
Bradford & Bingley Investments (No3) Ltd	100	100
Bradford & Bingley Properties (No2) Ltd	3,000	3,000
Bradford & Bingley Properties (No3) Ltd	400	400
Bradford & Bingley Building Services Ltd	3,000	3,000
Mortgage Express	100,000	100,000
Gavi S.A.	70,115	70,115
Taurasi Limited	1	1
John Charcol Holdings Ltd	97,134	97,134
Bradford & Bingley COS Ltd	7,000	7,000
Alltel Mortgage Solutions	3,436	1,397
Total investments in subsidiaries and joint ventures at cost	288,286	286,247
Cumulative provision for diminution in value of investments	(3,106)	(3,106)
Total investments in subsidiaries and joint ventures - NBV	285,180	283,141

BRADFORD & BINGLEY INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. INVESTMENTS (continued)

Bradford & Bingley Investments owns 100% of the ordinary share capital in each of the above companies with the exception of Gavi S.A. and Taurasi Limited where there is a minority interest. Gavi S.A. is registered in Luxembourg and Taurasi Limited in Gibraltar. All other companies are registered in Great Britain.

In December 1999 Bradford & Bingley Investments Limited entered into a sale and repurchase agreement with ABN Amro N.V. for the shares held in Gavi S.A. Under the terms of the agreement Bradford & Bingley Investments Limited has a commitment to repurchase the shares by December 2049, this can however be accelerated.

In December 2001, there was a restructure of the Group companies which resulted in a major impact on one of the company's subsidiaries, Bradford & Bingley Group Estate Agents Limited. On 19th December Bradford & Bingley Group Estate Agents Limited was made unlimited and resolved to repay the remaining share capital and reserves to Bradford & Bingley Investments. The directors' of Bradford & Bingley Investments reviewed its remaining investment in Bradford & Bingley Group Estate Agents Limited and decided that a permanent impairment in value had occurred.

15. PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking is Bradford & Bingley plc, in whose consolidated financial statements this company is included and whose accounts can be obtained from the Company Secretary, Croft Road, Crossflatts, Bingley, West Yorkshire, BD16 2UA.