Alltel Mortgage Solutions Limited

Directors' Report and Financial Statements

Registered number 3960644

31 December 2009

Directors' Report and Financial Statements

Contents **Page**

Company Information

Directors

John Barnetson Anderson
Paul Martin Hopkinson

Secretary

John Gornall

Registered Office

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Croft Road
Crossflatts
Bingley
West Yorkshire
BD16 2UA

Auditor

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

Directors' Report for the year ended 31 December 2009

Registered number: 3960644

The Directors present their Report and Financial Statements for the year ended 31 December 2009

Principal activities and business review

Alltel Mortgage Solutions Limited ('the Company') is a limited liability 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 References in these Financial Statements to 'Group' refer to Bradford & Bingley plc and its subsidiaries

During the year, the Company operated through an agreement with its immediate parent undertaking Bradford & Bingley Investments Bradford & Bingley Investments is a wholly owned subsidiary of Bradford & Bingley plc

The Company's principal activities consist of providing consulting and other support services to its investee Bradford & Bingley Homeloans Management Limited and providing other additional consulting services to Bradford & Bingley plc and Mortgage Express With effect from 1 January 2009, the Company ceased to provide consultancy services to Bradford & Bingley plc and Mortgage Express

The results for the year are shown in the Statement of Comprehensive Income on page 8 The loss after taxation was £131,035 (2008 profit £2,903) Gross profit for the year decreased to £5,630,408 (2008 £11,076,722)

The KPIs for the Company are staff productivity and staff utilisation However, these are not recorded at this Company level, instead being aggregated within Bradford & Bingley plc

Dividends

No dividends were paid during the year (2008 £nil) and the Directors do not recommend payment of a final dividend (2008 £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

Christopher Patrick Willford	(resigned 30 June 2009)
Havana Aman Abid	(resigned 30 June 2009)
John Barnetson Anderson	
Paul Martin Hopkinson	(appointed 30 June 2009)

Directors' Report for the year ended 31 December 2009 (continued)

Registered number: 3960644

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 they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information

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 17 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 (2008 £nil)

Auditor

KPMG Audit Plc have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the next Annual General Meeting

By order of the Board of Directors

Paul Hopkinson
Director

13 September 2010

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

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 the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable law

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 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 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

Independent Auditor's Report to the members of Alltel Mortgage Solutions Limited

We have audited the Financial Statements of Alltel Mortgage Solutions Limited for the year ended 31 December 2009 set out on pages 8 to 26 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 ('EU') and, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

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 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 ('APB's') Ethical Standards for Auditors

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

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 2009 and of its loss 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

J L Ellacott (Senior Statutory Auditor)
for and behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

13 September 2010

Statement of Comprehensive Income for the year ended 31 December

	Note	2009 £	2008 £
Revenue		**6,368,341**	15,910,465
Cost of sales		**(737,933)**	(4,833,743)
Gross profit		**5,630,408**	11,076,722
Administrative expenses		**(4,945,832)**	(10,947,323)
Operating profit	*2*	**684,576**	129,399
Profit before taxation		**684,576**	129,399
Taxation	*4*	**(815,611)**	(126,496)
(Loss)/profit for the financial year		**(131,035)**	2,903
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**(131,035)**	2,903

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 12 to 26 form part of these Financial Statements

Balance Sheet at 31 December

Registered number: 3960644

	Note	2009 £	2008 £
Assets			
Property, plant and equipment	*5*	-	1,696
Shares in Group undertakings	*7*	49	49
Deferred tax assets	*8*	**5,468,650**	3,206,464
Total non-current assets		**5,468,699**	3,208,209
Amounts due from Group undertakings	*13*	**124,769,952**	119,443,044
Current tax assets		**2**	-
Total current assets		**124,769,954**	119,443,044
Total assets		**130,238,653**	122,651,253
Liabilities			
Accruals and deferred income	*9*	**1,013,400**	1,685,512
Current tax liabilities		-	108,770
Amounts due to Group undertakings	*14*	**127,043,976**	118,544,659
Total current liabilities		**128,057,376**	120,338,941
Total liabilities		**128,057,376**	120,338,941
Equity			
Capital and reserves attributable to equity holders			
Share capital	*10*	**1,000**	1,000
Retained earnings		**2,180,277**	2,311,312
Total attributable equity		**2,181,277**	2,312,312
Total equity and liabilities		**130,238,653**	122,651,253

The notes on pages 12 to 26 form part of these Financial Statements

The Financial Statements were approved by the Board of Directors on 13 September 2010 and signed on its behalf by

Paul Hopkinson
Director

13 September 2010

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January 2009	**1,000**	**2,311,312**	**2,312,312**
Loss for the financial year	**-**	**(131,035)**	**(131,035)**
At 31 December 2009	**1,000**	**2,180,277**	**2,181,277**
	£	£	£
At 1 January 2008	1,000	2,308,409	2,309,409
Profit for the financial year	-	2,903	2,903
At 31 December 2008	1,000	2,311,312	2,312,312

Cash Flow Statement for the year ended 31 December

	2009	2008
	£	£
Cash flows from operating activities		
(Loss)/profit for the financial year	**(131,035)**	2,903
Adjustments for		
Income tax expense	**815,611**	126,496
Depreciation and amortisation	**1,696**	4,592,538
Impairment of property, plant and equipment and intangible assets	**-**	17,975,334
Cash flows from operating activities before changes in operating assets and liabilities	**686,272**	22,697,271
Net (increase) in operating assets		
Amounts due from Group undertakings	**(5,326,908)**	(23,023,164)
Net (decrease)/increase in operating liabilities		
Accruals and deferred income	**(672,112)**	546,048
Amounts due to Group undertakings	**8,499,317**	1,765,854
Cash generated from operations	**3,186,569**	1,986,009
Taxation paid	**(3,186,569)**	(1,986,009)
Net cash from operating activities	**-**	-
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

Notes to the Financial Statements for the year ended 31 December 2009

1. Principal accounting policies

Alltel Mortgage Solutions 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')

For these 2009 Financial Statements, including the 2008 comparative financial information where applicable, the Company has adopted for the first time the following statements

- The February 2008 amendment to IAS 1 'Presentation of Financial Statements' This relates to presentation only, and adoption has had no material impact on the Company's Statement of Comprehensive Income, Balance Sheet or Cash Flow Statement

- The March 2009 amendment to IFRS 7 'Financial Instruments Disclosures' This relates to disclosures only, and adoption has had no impact on the Company's Statement of Comprehensive Income, Balance Sheet or Cash Flow Statement

- IFRS 8 'Operating Segments' This standard replaced IAS 14 'Segment Reporting' The Company's business and operations comprise one single activity, principally within the United Kingdom, and are managed on that basis, and hence no segmental information has been provided

The Financial Statements also 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 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 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 17 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 ultimate parent undertaking, Bradford & Bingley plc At the date of approval of these Financial Statements the Bradford & Bingley Group ('Group') is reliant on the financing facilities and also upon the guarantee arrangements provided to the Group by Her Majesty's Treasury ('HM Treasury') Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the Bradford & Bingley plc group, and consequently this Company's operations and their 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 30 September 2011

On 25 January 2010, the EC announced that it had approved under the EU state aid rules the financing facilities and guarantee arrangements provided by HM Treasury, subject to certain conditions which the Directors are confident can be met Accordingly, the Directors believe there is no longer any material uncertainty over the Bradford & Bingley plc Group's and the Company's ability to continue as a going concern

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

1. Principal accounting policies (continued)

(c) Revenue recognition

Revenue consists of management fees and consulting fees and is attributable to the Company's principal activities of providing consulting and other support services All revenue is earned within the United Kingdom

(d) Leases

Rentals under operating leases are charged to 'administrative expenses' on a straight line basis to the date of change in the rental amount Typically, operating leases have rent review dates in their terms, several years apart, and between those dates the annual rent remains constant Any initial rent-free period and any lease premia paid are amortised over the full lease period on a straight line basis As discussed in note 19, the Company's lease was terminated on 1 May 2010

(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 carrying amounts 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) Property, plant and equipment

Property, plant and equipment are shown at cost net of depreciation and any provision for impairment Depreciation is provided so as to write-off the cost less the estimated residual value of each significant component of each item of property, plant and equipment over that component's estimated useful life, as follows

Leasehold improvements	shorter of the term of lease and 50 years on a straight line basis
Fixtures and fittings	20% straight line basis

(g) Intangible assets

Computer software licences are capitalised as intangible assets where it is probable that expected future benefits will flow to the Company Thereafter they are carried at cost less accumulated amortisation Amortisation is provided on a straight line basis over their useful economic lives, which may be up to five years Those which have a life expectancy at the outset of less than two years are not capitalised but instead their costs are charged to the Statement of Comprehensive Income as they arise Costs that are directly associated with developing identifiable computer software systems are capitalised if the criteria in IAS 38 'Intangible Assets' are satisfied, the main criteria are that the successful completion of the development project is reasonably certain and that the software is expected to generate future economic benefits Each item of capitalised developed computer software is carried at cost less accumulated amortisation, amortisation is provided on a straight line basis over its estimated useful life Costs that do not qualify for capitalisation are charged to the Statement of Comprehensive Income as they arise All items of intangible assets are reviewed annually for impairment If any item is considered to be impaired, it is written down to the impaired value In addition, the estimated useful lives are also reassessed annually, and if they are judged to have changed then the rate of amortisation charged in periods after the date of the change reflects the revised estimates

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

1. Significant accounting policies (continued)

(h) Shares in Group undertakings

Shares in Group undertakings are carried at cost less any impairment, as required by IAS 27 'Consolidated and Separate Financial Statements' Shares are reviewed at each published Balance Sheet date for any indication of impairment, in accordance with IAS 36 'Impairment of Assets' If there is any indication of impairment of any share, the carrying value of the share is reviewed, and any impairment identified is charged immediately in the Statement of Comprehensive Income

(i) 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

(j) Post-retirement benefits

The Company operates a pension scheme with both defined contribution and defined benefit elements Contributions in respect of the defined contribution element are charged to the Statement of Comprehensive Income in accordance with IAS 19 'Employee Benefits'

The defined benefit element of the scheme is operated by the Company's ultimate parent undertaking, Bradford & Bingley plc In accordance with IAS 19 'Employee Benefits' the assets and liabilities of the scheme are recognised by Bradford & Bingley plc as the sponsoring employer of the scheme It is not possible for the Company to identify its share of the scheme's overall assets and liabilities and so contributions to the scheme are accounted for as if it were a defined contribution scheme Contributions to this element of the scheme will be determined using actuarial valuation methods which reflect the costs of providing pensions over the period benefiting from employee services

2. Operating profit

Operating profit is stated after charging	**2009**	2008
	£	£
Staff costs (see note 3)	**247,100**	1,104,227
Property operating lease rentals (see note 11)	**1,028,742**	999,658
Depreciation and amortisation (see notes 5 and 6)	**1,696**	4,592,538

Auditor's remuneration of £7,192 (2008 £7,051) was borne by the Company's ultimate parent undertaking Bradford & Bingley plc

As discussed in note 19, the staff of the Company transferred and relocated to the premises of the Company's ultimate parent undertaking on 1 May 2010

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

3 Staff costs and numbers

The average number of persons employed by the Company was	2009 Number	2008 Number
Full time	7	14
Part time	-	3
Full time equivalent	7	16

The aggregate costs of these persons were as follows	2009 £	2008 £
Wages and salaries	196,560	917,158
Social security costs	25,611	72,030
Pension costs	24,929	115,039
	247,100	1,104,227

The remuneration of the Directors is provided by Bradford & Bingley plc and no part of their remuneration is specifically attributable to their services to the Company

As discussed in note 19, on 1 May 2010 the Company's staff transferred to its ultimate parent undertaking, Bradford & Bingley plc

4. Taxation

	2009 £	2008 £
Current taxation charge		
UK corporation tax on profits for the year	-	108,771
Adjustments in respect of previous years	3,077,797	1,352,978
Total current taxation	3,077,797	1,461,749
Deferred taxation expense		
Origination and reversal of temporary differences	(2,262,186)	(1,335,253)
Total taxation expense per the Statement of Comprehensive Income	815,611	126,496
Profit before taxation	684,576	129,399
UK corporation tax at 28 0% (2008 28 5%)	191,681	36,875
Effects of		
Expenses not deductible for taxation	70,668	-
Change in rate effective 1 April 2008 on deferred tax items	-	1,254
Adjustments in respect of previous years	553,262	88,367
Total taxation expense per the Statement of Comprehensive Income	815,611	126,496

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

5. Property, plant and equipment

	Leasehold improvements £	Fixtures and fittings £	Total £
Cost			
At 1 January 2009	**1,195,724**	**1,167,564**	**2,363,288**
At 31 December 2009	**1,195,724**	**1,167,564**	**2,363,288**
At 1 January 2008	1,198,559	2,427,021	3,625,580
Disposals	(2,835)	(510,472)	(513,307)
Written off	-	(748,985)	(748,985)
At 31 December 2008	1,195,724	1,167,564	2,363,288
Depreciation			
At 1 January 2009	**1,195,724**	**1,165,868**	**2,361,592**
Depreciation charge for the year	**-**	**1,696**	**1,696**
At 31 December 2009	**1,195,724**	**1,167,564**	**2,363,288**
At 1 January 2008	903,026	1,918,805	2,821,831
Depreciation charge for the year	114,399	124,975	239,374
Impairment	181,134	381,545	562,679
Disposals	(2,835)	(510,472)	(513,307)
Written off	-	(748,985)	(748,985)
At 31 December 2008	1,195,724	1,165,868	2,361,592
Net book value			
At 1 January 2008	295,533	508,216	803,749
At 31 December 2008	-	1,696	1,696
At 1 January 2009	**-**	**1,696**	**1,696**
At 31 December 2009	**-**	**-**	**-**

In 2008, leasehold improvements and some fixtures and fittings, specifically head office equipment and infrastructure, were written down to zero, resulting in an impairment charge of £562,679 to reflect the ongoing economic value in use and future obsolescence of these assets in light of the developments in business operations and future strategy of the business

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

6. Intangible assets

	Software	Total
	£	£
Cost		
At 1 January 2009	**9,666,652**	**9,666,652**
At 31 December 2009	**9,666,652**	**9,666,652**
At 1 January 2008	44,190,369	44,190,369
Disposals	(497,360)	(497,360)
Written off	(34,026,357)	(34,026,357)
At 31 December 2008	9,666,652	9,666,652
Amortisation		
At 1 January 2009	**9,666,652**	**9,666,652**
At 31 December 2009	**9,666,652**	**9,666,652**
At 1 January 2008	22,424,550	22,424,550
Amortisation	4,353,164	4,353,164
Impairment	17,412,655	17,412,655
Disposals	(497,360)	(497,360)
Written off	(34,026,357)	(34,026,357)
At 31 December 2008	9,666,652	9,666,652
Net book value		
At 1 January 2008	21,765,819	21,765,819
At 31 December 2008	-	-
At 1 January 2009	-	-
At 31 December 2009	-	-

In 2008, it was deemed that intangible software with a book value of £17,412,655 was fully impaired and written down to zero to reflect the ongoing economic value in use and future obsolescence of those assets in light of the developments in business operations and future strategy of the business

7 Shares in Group undertakings

	Country of incorporation and operation	Principal activity	Holding	%
Bradford & Bingley Homeloans Management Limited	United Kingdom	Residential loan origination and processing services to Bradford & Bingley plc and Mortgage Express	Direct	49

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

8. Deferred tax

The net deferred tax asset is attributable to the following

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	£	£	£	£	£	£
Accelerated tax depreciation	4,587,216	3,206,464	-	-	4,587,216	3,206,464
Taxation value of losses carried forward	881,434	-	-	-	881,434	-
	5,468,650	3,206,464	-	-	5,468,650	3,206,464

The movement in the Company's temporary differences during the year and previous year were as follows

	At 1 January 2009	Recognised in income	At 31 December 2009
	£	£	£
Accelerated tax depreciation	3,206,464	1,380,752	4,587,216
Taxation value of losses carried forward	-	881,434	881,434
	3,206,464	2,262,186	5,468,650

	At 1 January 2008	Recognised in income	At 31 December 2008
	£	£	£
Accelerated tax depreciation	1,871,211	1,335,253	3,206,464
	1,871,211	1,335,253	3,206,464

9. Accruals and deferred income

	2009	2008
	£	£
Accruals - current	1,013,400	1,685,512
	1,013,400	1,685,512

10. Share capital

	2009 Shares	2008 Shares	2009 £	2008 £
Ordinary shares of £1 each				
Authorised				
'A' ordinary shares	251	251	251	251
'B' ordinary shares	749	749	749	749
As at 1 January and 31 December	1,000	1,000	1,000	1,000
Issued and fully paid				
'A' ordinary shares	251	251	251	251
'B' ordinary shares	749	749	749	749
As at 1 January and 31 December	1,000	1,000	1,000	1,000

The holders of the 'A' shares have the right to appoint an 'A' director and the holders of the 'B' shares have the right to appoint a 'B' director The 'A' shares do not carry the right to vote to appoint or remove the 'B' director and the 'B' shares do not carry the right to vote to appoint or remove the 'A' director Otherwise these shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

11 Operating lease commitments

	2009	2008
	£	£
The amounts of rentals payable under non-cancellable operating leases are as follows		
Payable in less than one year	**840,741**	816,199
Payable in between one and five years	**3,622,963**	3,517,438
Payable after more than five years	**480,126**	1,426,392
Total payable	**4,943,830**	5,760,029

These operating leases relate to land and buildings and equipment

As discussed in note 19, the lease was terminated on 1 May 2010

12. 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 proceeding financial year Details of the Company's balances with other Group entities are provided in notes 13 and 14 During the year the Company undertook transactions with companies within the Bradford & Bingley plc Group as follows

	2009	2008
	£	£
Revenue	**6,368,341**	15,910,465
Administrative expenses	**1,028,742**	1,058,137

Auditor's remuneration of £7,192 (2008 £7,051) was borne by the Company's ultimate parent undertaking Bradford & Bingley plc

13. Amounts due from Group undertakings

	2009	2008
	£	£
Amounts due from Group undertakings	**124,769,952**	119,443,044

The amounts due from Group undertakings are interest-free and repayable on demand

14. Amounts due to Group undertakings

	2009	2008
	£	£
Amounts due to Group undertakings	**127,043,976**	118,544,659

The amounts due to Group undertakings are interest-free and repayable on demand

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

15. Post-retirement benefits

The Company participates in the defined benefit pension scheme of its ultimate parent undertaking, Bradford & Bingley plc In accordance with IAS 19 'Employee Benefits' (amended 2004) the assets and liabilities of the scheme are recognised by Bradford & Bingley plc as the sponsoring employer of the scheme Details of Bradford & Bingley plc's schemes are as follows

(a) Pension schemes

The Bradford & Bingley plc Group ('the Group') operated a defined benefit staff pension scheme, the Bradford & Bingley Staff Pension Scheme ('the principal scheme'), which was administered by trustees On 31 December 2009, the scheme was closed to future service accrual and all members became deferred members and were given the option to transfer to the Group defined contribution scheme from 1 January 2010 The funds are independent from those of the Group The normal pension age of employees in the schemes is 65 The Group also operates a defined contribution scheme, the Bradford & Bingley Group Pension Plan The funds of this scheme are independent from those of the Group The Group had no liabilities or prepayments associated with the defined contribution scheme at 31 December 2009 The cost in the year to the Group of the defined contribution scheme was £0 7m (2008 £1 7m)

(b) Other post-retirement benefits

The Group provides healthcare benefits to some of its pensioners The healthcare benefits are provided through a post-retirement medical scheme into which the Group contributes 100% towards the cost of providing medical expense benefits for members who retired before 1 January 1996 and 50% for members who retired after this date The total number of members of the scheme as at 31 December 2009 was 393 (2008 411) Private medical costs are assessed in accordance with the advice of a qualified actuary

(c) Accounting treatment

The Group accounts for post-retirement benefit costs in accordance with IAS 19 and IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' The full net actuarial deficit is carried on Bradford & Bingley plc's balance sheet, and actuarial gains and losses are taken to Group retained earnings rather than being charged or credited to the Statement of Comprehensive Income Any net defined benefit asset is recognised to the extent to which the economic benefits are available to the Group without any conditions outside the direct control of the Group having to be satisfied The actuarial loss recognised in the Group retained earnings during the year was £105 0m (2008 £17 8m gain)

More than one employing Group entity contributes to the pension schemes As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual Group entities, the net defined benefit cost is recognised in the Financial Statements of Bradford & Bingley plc (being the sponsoring entity) while other individual Group entities, in their individual financial statements, recognise a cost equal to their contributions payable for the period

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

15. Post-retirement benefits (continued)

(d) Employee benefit obligations

The amounts carried in the balance sheet of Bradford & Bingley plc are as follows

	Defined benefit pension plans		Post-retirement medical benefits			Total
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Present value of funded obligations	**615.1**	480 5	**7.8**	9 2	**622.9**	489 7
Fair value of plan assets	**(525.2)**	(485 3)	-	-	**(525.2)**	(485 3)
IFRIC 14 restriction	-	4 8	-	-	-	4 8
Net liability	**89.9**	-	**7.8**	9 2	**97.7**	9 2
Amounts carried in the balance sheet						
- Liabilities	**89.9**	-	**7.8**	9 2	**97 7**	9 2

The amounts recognised in the Group Statement of Comprehensive Income are as follows

	Defined benefit pension plans		Post-retirement medical benefits			Total
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Current service cost	**1.6**	4 8	**0.1**	0 1	**1 7**	4 9
Interest on plan obligations	**30 7**	34 5	**0 5**	0 6	**31.2**	35 1
Expected return on plan assets	**(28.1)**	(37 6)	-	-	**(28.1)**	(37 6)
	4.2	1 7	**0.6**	0 7	**4.8**	2 4
Gain on curtailment (i)	**(13.4)**	(22 3)	-	(0 8)	**(13.4)**	(23 1)
	(9.2)	(20 6)	**0.6**	(0 1)	**(8.6)**	(20 7)
Actual return on plan assets	**49.9**	(78 1)	-	-	**49.9**	(78 1)

Changes in the present value of the defined benefit obligations were as follows

	Defined benefit pension plans		Post-retirement medical benefits			Total
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Opening defined benefit obligations	**480.5**	586 8	**9.2**	11 0	**489.7**	597 8
Current service cost	**1.6**	4 8	**0.1**	0 1	**1.7**	4 9
Contributions by employees	**0.3**	0 8	-	-	**0.3**	0 8
Interest on plan obligations	**30 7**	34 5	**0 5**	0 6	**31.2**	35 1
Actuarial loss/(gain)	**132 6**	(101 5)	**(1 4)**	(1 3)	**131.2**	(102 8)
Gain on curtailment (i)	**(13 4)**	(22 3)	-	(0 8)	**(13 4)**	(23 1)
Obligation transfer (ii)	-	(3 9)	-	-	-	(3 9)
Benefits paid	**(17.2)**	(18 7)	**(0 6)**	(0 4)	**(17.8)**	(19 1)
Closing defined benefit obligations	**615.1**	480 5	**7.8**	9 2	**622.9**	489 7

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

15 Post-retirement benefits (continued)

(d) Employee benefit obligations (continued)

Changes in the fair value of plan assets were as follows

	Defined benefit pension plans		Post-retirement medical benefits			Total
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Opening fair value of plan assets	**485.3**	575 8	-	-	**485.3**	575 8
Expected return on plan assets	**28.1**	37 6	-	-	**28 1**	37 6
Contributions by employing entities	**7 3**	9 3	**0.6**	0 4	**7.9**	9 7
Contributions by employees	**0.3**	0 8	-	-	**0.3**	0 8
Actuarial gain/(loss)	**21.3**	(115 7)	-	-	**21.3**	(115 7)
Asset transfer (ii)	-	(4 0)	-	-	-	(4 0)
Benefits paid	**(17.1)**	(18 5)	**(0 6)**	(0 4)	**(17 7)**	(18 9)
Closing fair value of plan assets	**525 2**	485 3	-	-	**525 2**	485 3

(i) Gain on curtailment

As of 31 December 2009 the scheme was closed to future service accrual and all members became deferred members and were given the option to transfer to the Group defined contribution scheme from 1 January 2010 The curtailment gain arising as a result of the event was £13 4m Employees who transferred to Abbey National plc ('Abbey') as a consequence of Bradford & Bingley plc's sale of its retail deposit business on 29 September 2008 and who were members of the defined benefit scheme became deferred members as the date of the transfer The curtailment gain of £23 1m arising on this event has been calculated in accordance with IAS 19

(ii) Transfer of obligations and assets

Bradford & Bingley International Limited was sold to Abbey on 29 September 2008 and all pension obligations and assets relating to the employees of Bradford & Bingley International Limited were transferred to Abbey with effect from that date

The major categories of plan assets as a percentage of total plan assets at 31 December were as follows

	2009	2008
Equities	**37%**	34%
Property	**7%**	10%
Bonds	**33%**	25%
Gilts	**12%**	13%
Cash and other	**11%**	18%
Total	**100%**	100%

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

15. Post-retirement benefits (continued)

(d) Employee benefit obligations (continued)

(ii) Transfer of obligations and assets (continued)

The principal actuarial assumptions (expressed as weighted averages) were as follows

	2009	2008
To determine benefit obligations		
Discount rate at 31 December	**5.7%**	6 3%
Future pension increases	**3.5%**	3 0%
Rate of salary increase	**5.5%**	5 0%
To determine the net pension cost		
Expected return on plan assets	**6.1%**	6 8%
Discount rate	**6.4%**	6 3%
Rate of salary increase	**5.0%**	5 4%
For post-retirement medical plan		
Discount rate	**5.7%**	6 3%
Inflation	**3.5%**	3 0%
Medical cost trend for duration of liability	**4.5%**	6 0%

In determining the expected long-term return on plan assets, Bradford & Bingley plc considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return for the portfolio

The table shows the life expectancy assumptions from age 60 (based on a 1945 year of birth for retired members and 1965 for non-retired members)

		2009		2008
	Retired members	**Non-retired members**	Retired members	Non-retired members
Male	**26.6**	**28.8**	24 7	25 9
Female	**29.5**	**31 7**	27 7	28 7

Sensitivity: The following table illustrates the sensitivity of the pension scheme defined benefit obligation to three key assumptions the discount rate, the rate of inflation and the mortality assumption

Assumption	**Change in assumption**	**Impact on benefit obligation**
Discount rate	Decrease by 0 5%	Increase by 11%
Inflation	Increase by 0 5%	Increase by 11%
Mortality	Decrease by 1 year	Increase by 2%

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

15 Post-retirement benefits (continued)

(d) Employee benefit obligations (continued)

(ii) Transfer of obligations and assets (continued)

If the assumptions were to change by the same amount in the opposite direction to those illustrated, the benefit obligation would decrease by a similar percentage to those shown in the table in each case

Assumed healthcare cost trend rates have an effect on the amounts recognised in staff costs A one percentage point change in assumed healthcare cost trend rates would have the following effects

	2009	2008
	£m	£m
Effect on the aggregate of service cost and interest cost	**0 1**	0 1
Effect on defined benefit obligations	**1.1**	1 5

16 Critical accounting judgements and estimates

In preparation of the Company's 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 amounts due from Group undertakings are not considered to be impaired The Directors believe it probable that sufficient future taxable profits will be available to utilise the tax losses against which deferred tax assets are carried At 31 December 2009 there were no other critical accounting judgements or estimates (2008 none)

17 Financial instruments

(a) Fair values of financial assets and financial liabilities

At 31 December 2009

	Loans and receivables £	Total carrying value £	Fair value £	If fair values increased by 1% £
Amounts due from Group undertakings	124,769,952	124,769,952	124,769,952	1,247,700
Total financial assets	124,769,952	124,769,952	124,769,952	1,247,700

	Liabilities at amortised cost £	Total carrying value £	Fair value £	If fair values increased by 1% £
Accruals and deferred income	1,013,400	1,013,400	1,013,400	10,134
Amounts due to Group undertakings	127,043,976	127,043,976	127,043,976	1,270,440
Total financial liabilities	128,057,376	128,057,376	128,057,376	1,280,574

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

17 Financial instruments (continued)

(a) Fair values of financial assets and financial liabilities (continued)

At 31 December 2008

	Loans and receivables £	Total carrying value £	Fair value £	If fair values increased by 1% £
Amounts due from Group undertakings	119,443,044	119,443,044	119,443,044	1,194,430
Total financial assets	119 443,044	119,443,044	119,443,044	1,194,430

	Liabilities at amortised cost £	Total carrying value £	Fair value £	If fair values increased by 1% £
Accruals and deferred income	1,685,512	1,685,512	1,685,512	16,855
Amounts due to Group undertakings	118,544,659	118,544 659	118,544 659	1,185,447
Total financial liabilities	120,230,171	120,230,171	120,230,171	1,202,302

No financial assets or liabilities are carried at fair value, but their fair values approximate to their carrying values No financial asset is considered to be impaired

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

(i) Credit risk

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 amounts due from Group undertakings The maximum exposure to credit risk is represented by the carrying amount of each financial asset

The maximum exposure to credit risk as at 31 December was

	2009 £	2008 £
Amounts due from Group undertakings	**124,769,952**	119,443,044
Total on Balance Sheet, and maximum exposure to credit risk	**124,769,952**	119,443,044

Notes to the Financial Statements for the year ended 31 December 2009 (continued)

17 Financial instruments (continued)

(ii) Liquidity risk

The Company's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Company can meet its liabilities as they fall due, by smoothing mismatches between maturing assets and liabilities

The contractual undiscounted cash flows associated with financial liabilities were as follows

	On demand	In not more than three months	In more than three months but not more than one year	In more than one year but not more than five years	Total
At 31 December 2009	£	£	£	£	£
Accruals and deferred income	-	**1,013,400**	-	-	**1,013,400**
Amounts owed to Group undertakings	**127,043,976**	-	-	-	**127,043,976**
Total	**127,043,976**	**1,013,400**	-	-	**128,057,376**

	On demand	In not more than three months	In more than three months but not more than one year	In more than one year but not more than five years	Total
At 31 December 2008	£	£	£	£	£
Accruals and deferred income	-	1,685,512	-	-	1,685,511 5
Amounts owed to Group undertakings	118,544,659	-	-	-	118,544,659
Total	118,544,659	1,685,512	-	-	120,230,171

(c) Concentrations of risk

96% (2008 97%) of the Company's assets comprise debtors due from Group undertakings of which £92,687,088 (2008 £86,540,775) is due from one entity

(d) Other market risks

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

18 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 the United Kingdom under the Companies Act 1985 and registered in England and Wales Bradford & Bingley plc heads the largest and smallest group of companies into which the Financial Statements of the Company are consolidated Copies of the Financial Statements of Bradford & Bingley plc 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 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 ultimate controlling party from that date

19 Events after the Balance Sheet date

On 1 May 2010, the property lease was terminated and the staff remaining in the leased building relocated to the offices of the Company's ultimate parent undertaking

The Company continues to be charged a fee by its ultimate parent undertaking for the use of its facilities All of the Company's employees were transferred under TUPE regulations to the Company's ultimate parent undertaking on 1 May 2010, but the costs of these employees continue to be charged to the Company