AIRE VALLEY FINANCE (No.2) LIMITED

(Formerly Aire Valley Finance (No 2) plc)

Directors' Report and Financial Statements

Registered number 4006685

31 December 2011

Directors' Report and Financial Statements

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Company Information

Directors
Paul Martin Hopkinson
Phillip Alexander McLelland

Company Secretary
John Gornall
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Crossflatts
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Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
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LS1 4JP

Directors' Report for the year ended 31 December 2011

Registered Number: 4006685

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

Principal activity and business review

On 1 October 2010 UK Asset Resolution Limited ('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

Aire Valley Finance (No 2) Limited ('the Company') (formerly Aire Valley Finance (No 2) plc) is a limited liability company incorporated and domiciled in the United Kingdom The company re-registered from being a public company on 9 December 2011

Spicedeck Limited holds the Company's 49,998 £1 ordinary shares 25p paid, and Capita Trust Nominees No 1 Limited holds the 2 £1 ordinary fully paid shares in the Company These shares comprise the entire issued share capital of the Company

The Company's principal activity was to acquire an interest in a portfolio of commercial mortgage loans secured on residential properties and to service loan notes All of the remaining loan notes were redeemed on 15 September 2008 The Directors do not expect to issue any further loan notes or enter into further securitisations on residential mortgages for the foreseeable future Interest receivable and similar income increased to £102,423 and relates to bank interest and interest on tax (2010 £25,187) and interest expense and similar charges was £nil (2010 £nil)

The results for the year are shown in the Statement of Comprehensive Income on page 8 The profit after taxation was £564,691 (2010 profit £25,187)

Dividend

No dividends were paid during the year or previous year and the Directors do not recommend the payment of a final dividend for the year (2010 £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 and up to the date of signing the Financial Statements were as follows

Paul Martin Hopkinson (appointed 20 January 2012)
Phillip Alexander McLelland
Capita Trust Company Limited (resigned 20 January 2012)
Capita Trust Corporate Services Limited (resigned 20 January 2012)

Capita Trust Company Limited and Capita Trust Corporate Services Limited are or have been directors of Spicedeck Limited during the year None of the Directors had any interest in the share or loan capital of Spicedeck Limited, or any of its subsidiaries, during the current or preceding year

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 that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

Registered Number: 4006685

Risk management and control

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk and liquidity 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 In general, when a transaction or group of transactions is entered into, derivative instruments are taken out to manage the associated risk 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 8, and further discussion in the context of the B&B Group as a whole is provided in the B&B Group's 2011 Annual Report & Accounts which do not form part of this Report and Financial Statements

The Company has entered into contracts with a number of third parties to provide operational support including corporate service providers, paying agents and swap providers B&B acts as bank account and cash manager The Company's operations are 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)

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 auditors 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

Phillip Alexander McLelland
Director
6 June 2012

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 prepared the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union

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 accounting 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

Independent Auditor's Report to the members of Aire Valley Finance (No.2) Limited

We have audited the Financial Statements of Aire Valley Finance (No 2) Limited 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 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 auditor
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 ('APB'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 and Financial Statements to identify material inconsistancies 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 European Union, 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 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

Mark Hannam

Mark Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
6 June 2012

Statement of Comprehensive Income for the year ended 31 December

	Note	2011 £000	2010 £000
Interest receivable and similar income	*2*	**102**	25
Net interest income		**102**	25
Profit before taxation		**102**	25
Taxation	*5*	**463**	-
Profit for the financial year		**565**	25
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		**565**	25

The Company's business and operations comprise one single activity principally with 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 holders

The notes on pages 12 to 19 form an integral part of these Financial Statements

Balance Sheet at 31 December

Registered Number: 4006685

	Note	2011 £000	2010 £000
Assets			
Cash and cash equivalents		**11,484**	10,621
Current tax assets		**-**	298
Total current assets		**11,484**	10,919
Total assets		**11,484**	10,919
Liabilities			
Amounts due to Group undertakings	*7*	**9,597**	9,597
Total current liabilities		**9,597**	9,597
Total liabilities		**9,597**	9,597
Equity			
Capital and reserves attributable to equity holders			
Share capital	*6*	**13**	13
Retained earnings		**1,874**	1,309
Total attributable equity		**1,887**	1,322
Total equity and liabilities		**11,484**	10,919

The notes on pages 12 to 19 form an integral part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on 6 June 2012 and signed on its behalf by

Phillip Alexander McLelland
Director
6 June 2012

Statement of Changes in Equity for the year ended 31 December

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2011	**13**	**1,309**	**1,322**
Comprehensive income for the financial year	**-**	**565**	**565**
At 31 December 2011	**13**	**1,874**	**1,887**
At 1 January 2010	13	1,284	1,297
Comprehensive income for the financial year	-	25	25
At 31 December 2010	13	1,309	1,322

Cash Flow Statement
for the year ended 31 December

	2011	2010
	£000	£000
Cash flows from operating activities		
Profit before taxation	102	25
Cash generated from operating activities before changes in operating liabilities	102	25
Net increase in operating liabilities		
Amounts due to Group undertakings	-	367
Cash generated from operations	102	392
Taxation received	761	-
Net cash generated from operating activities	863	392
Net increase in cash and cash equivalents	863	392
Cash and cash equivalents at beginning of year	10,621	10,229
Cash and cash equivalents at end of year	11,484	10,621
Cash at bank	11,484	10,621

Cash and cash equivalents are unencumbered and are available on demand

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

1 Principal accounting policies

Aire Valley Finance (No 2) Limited ('the Company') is a limited liability company incorporated and domiciled in the UK The company re-registered from being a public company on 9 December 2011

(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 Standard 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 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 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 been adopted for use in the EU

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 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, event or actions actual results ultimately may differ from those estimates (see note 11)

(c) Interest income and expense
For financial instruments measured at amortised cost interest income and expense are 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 instrument The EIR is the rate that at the inception of the instrument exactly discounts expected future cash payments and receipts through the expected life of the instrument back to the initial carrying amount When calculating the EIR, future cash flows are estimated considering all contractual terms of the instrument (for example prepayment options) but potential future credit losses are not considered The calculation includes all directly attributable incremental fees and costs and all other premia and discounts as well as interest

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

1. Principal accounting policies (continued)

(d) 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 substantively 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 only recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised

(e) 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

(f) Classification of financial instruments

In accordance with IAS 39 each financial asset is classified at initial recognition into one of four categories

(i) Financial assets at fair value through profit or loss,
(ii) Held to maturity investments,
(iii) Loans and receivables, or
(iv) Available-for-sale,

and each financial liability into one of two categories

(v) Financial liabilities at fair value through profit or loss, or
(vi) Other liabilities

Measurement of financial instruments is either at amortised cost (categories (ii), (iii) and (vi) above) or at fair value (categories (i), (iv) and (v) above), depending on the category of financial instrument

Amortised cost is the amount measured at initial recognition, adjusted for subsequent principal and other payments, less cumulative amortisation calculated using the EIR method, the amortisation is taken to interest income or expense depending on whether the instrument is an asset or liability The amortised cost balance is reduced where appropriate by an allowance for amounts which are considered to be impaired or uncollectible

Any profit or loss on sale of an instrument carried at amortised cost is recognised immediately in the Statement of Comprehensive Income in interest income or expense depending on whether the instrument is an asset or a liability

Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction Where a market exists, fair values are based on quoted market prices For instruments which do not have active markets, fair value is calculated using present value models which take individual cash flows together with assumptions based on market conditions and credit spreads and are consistent with accepted economic methodologies for pricing financial instruments Any net movements in fair value are included in the Statement of Comprehensive Income, as 'fair value movements'

Notes to the Fınancıal Statements for the year ended 31 December 2011 (contınued)

2. Interest receıvable and sımılar ıncome

	2011 £000	2010 £000
Interest on tax	60	-
Bank ınterest	42	25
	102	25

3. Operatıng expenses

Audıtors' remuneratıon of £1,018 (2010 £1,138) was borne by B&B

4. Employees and Dırectors' emoluments

There were no employees durıng the year or prevıous year and none of the Dırectors except Capıta Trust Company Lımıted (see note 7) receıved emoluments ın respect of theır servıces to the Company

5. Taxatıon

	2011 £000	2010 £000
Current taxatıon credıt		
Adjustments ın respect of prevıous years	(463)	-
Total current taxatıon	(463)	-
Deferred taxatıon		
Orıgınatıon and reversal of temporary dıfferences	-	-
Total taxatıon credıt per the Statement of Comprehensıve Income	(463)	-
Profit before taxatıon	102	25
UK corporatıon tax at 26 5% (2010 28%)	27	7
Effects of		
Utılısatıon of tax losses	(27)	-
Adjustments ın respect of prevıous perıods	(463)	(7)
Total taxatıon credıt per the Statement of Comprehensıve Income	(463)	-

The stadard rate of Corporatıon Tax lıabılıty ın the UK changed from 28% to 26% wıth effect from 1 Aprıl 2011 Accordıngly, the Company's profits for thıs accountıng perıod are taxed at an effectıve rate of 26 5%

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

6 Share capital

	2011 Number	2010 Number	2011 £	2010 £
Allotted and issued at 1 January and 31 December				
Ordinary shares of £1 each fully paid	**2**	2	**2**	2
Ordinary shares of £1 each 25p paid	**49,998**	49,998	**12,500**	12,500
Total	**50,000**	50,000	**12,502**	12,502

In accordance with the Companies Act 2006, the Company no longer has 'authorised capital' other than its issued capital

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

7 Related party disclosures

The Company is a special purpose vehicle controlled by its Board of Directors, which comprised three directors during the year, Capita Trust Company Limited (resigned 20 January 2012), Capita Trust Corporate Services Limited (resigned 20 January 2012) and a director of B&B (the controlling party under IFRS) Paul Martin Hopkinson was appointed to the Board of Directors on 20 January 2012 The Company was charged a corporate services fee by Capita Trust Company Limited in connection with its provision of corporate management services the fee payable to Capita Trust Company Limited for providing services amounted to £2,996 (2010 £5,965) and was borne by B&B

The Company had the following balances with members of the B&B Group

	Bradford & Bingley plc and subsidiaries 2011 £000	Bradford & Bingley plc and subsidiaries 2010 £000
Current liabilities		
Amounts due to Group undertakings	**9,597**	9,597

There were no balances or transactions with Spicedeck Limited and its subsidiaries during the year or previous year

Auditors' remuneration of £1,018 (2010 £1,138) was borne by B&B

The amounts due to Group undertakings are repayable on demand Balances due to Group undertakings are unencumbered

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

8 Financial instruments

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

Financial assets

At 31 December 2011	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
Financial assets	**£000**	**£000**	**£000**	**£000**
Cash and cash equivalents	11,484	11,484	11,484	115
Total financial assets	11,484	11,484	11,484	115

Financial liabilities

At 31 December 2011	Liabilities at amortised cost	Total carrying value	Fair value	If fair values increased by 1%
Financial liabilities	**£000**	**£000**	**£000**	**£000**
Amounts due to Group undertakings	9,597	9,597	9 597	96
Total financial liabilities	9,597	9,597	9,597	96

At 31 December 2010	Loans and receivables	Total carrying value	Fair value	If fair values increased by 1%
Financial assets	£000	£000	£000	£000
Cash and cash equivalents	10,621	10,621	10,621	106
Total financial assets	10,621	10,621	10,621	106

Financial liabilities

At 31 December 2010	Liabilities at amortised cost	Total carrying value	Fair value	If fair values increased by 1%
Financial liabilities	£000	£000	£000	£000
Amounts due to Group undertakings	9,597	9,597	9,597	96
Total financial liabilities	9,597	9,597	9,597	96

No financial assets were reclassified during the year between amortised cost and fair value categories

Notes to the Fınancıal Statements for the year ended 31 December 2011 (contınued)

8. Fınancıal ınstruments (contınued)

(b) Nature and extent of rısks arısıng from financıal ınstruments

The Company's exposure to rısk on financıal ınstruments and the management of thıs rısk are establıshed on the commencement of the securıtısatıon transactıons, wıth the Company's actıvıtıes and the roles of other partıes defined ın the programme documentatıon

The maın financıal rısks arısıng from the Company's actıvıtıes are credıt rısk and lıquıdıty rısk

Credıt rısk

Credıt rısk reflects the rısk that a counterparty of the Company wıll be unable or unwıllıng to meet a contractual commıtment that ıt has entered ınto wıth the Company The Company ıs exposed to credıt rısk arısıng from the deposıts wıth thırd party banks and other counterpartıes

The exposure to credıt rısk ıs represented by the carryıng amount of each financıal asset, as set out ın the table ın note 8b(ı)

Lıquıdıty rısk

Lıquıdıty rısk ıs the rısk that the Company ıs not able to meet ıts financıal oblıgatıons as they fall due The Company's policy ıs to maıntaın suffıcıent funds ın a lıquıd form at all tımes to ensure that the Company can meet ıts lıabılıtıes as they fall due The table ın note 8b(ıı) summarıses the undıscounted cash flows assocıated wıth the Company's financıal lıabılıtıes as at 31 December 2011 and 31 December 2010

Other market rısks

At the year end the Company had no other materıal exposure to market rısks

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

8 Financial instruments (continued)

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

(i) Credit risk

The Company's maximum exposure to credit risk as at 31 December was

	2011 £000	2010 £000
Cash and cash equivalents	11,484	10,621
Total on-Balance Sheet and maximum exposure to credit risk	**11,484**	**10,621**

No impairment has been recognised in respect of any financial asset, and no financial assets were past due

(ii) Liquidity risk

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

At 31 December 2011	**On demand £000**	**In not more than three months £000**	**In more than three months but not more than one year £000**	**In more than one year but not more than five years £000**	**In more than five years £000**	**Total £000**
Amounts due to Group undertakings	9,597	-	-	-	-	9,597
Total outflows	9,597	-	-	-	-	9,597

At 31 December 2010	£000	£000	£000	£000	£000	£000
Amounts due to Group undertakings	9,597	-	-	-	-	9,597
Total outflows	9,597	-	-	-	-	9,597

(c) Concentrations of risk

The Company's cash and cash equivalents are all deposited with a single entity

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

8 Financial instruments (continued)

(d) Interest income and expense on financial instruments that are not at fair value through profit or loss

Interest receivable	**2011**	2010
	£000	£000
Interest on tax	60	-
Bank interest	42	25
	102	25

No assets were considered to be impaired during the year or previous year and consequently the interest income for the year on impaired assets was £nil (2010 £nil)

9 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

10 Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent undertaking during the year and previous year was Spicedeck Limited, a limited company incorporated and domiciled in the United Kingdom

Copies of the financial statements of Spicedeck Limited may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA

Under IFRS, the Company's controlling party during the year and previous year was B&B, 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

11 Critical accounting judgements and estimates

In preparation of the Company's Financial Statements, estimates and judgements are made which affect the reported amounts of assets and liabilities, estimates and judgements are kept under continuous evaluation Estimates and judgements are based on historical experience, expectations of future events and other factors At 31 December 2011 there were no critical accounting judgements or estimates

12 Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 31 December 2011 to the date of this report that are likely to have a material effect on the Company's financial position as disclosed in these Financial Statements