

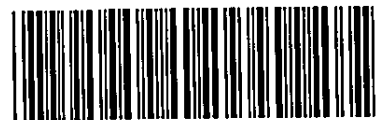
AIRE VALLEY FUNDING 3 PLC

Directors' Report and Financial Statements

Registered number 5154132

31 December 2007

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AIRE VALLEY FUNDING 3 PLC

Directors' Report and Financial Statements

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AIRE VALLEY FUNDING 3 PLC

Company Information

Directors

SFM Directors Limited
SFM Directors (No 2) Limited
Christopher Patrick Willford

Company Secretary

SFM Corporate Services Limited

Registered Office

35 Great St Helen's
London
EC3A 6AP

Auditor

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

AIRE VALLEY FUNDING 3 PLC

Directors' Report for the year ended 31 December 2007

The Directors present their Report and Financial Statements for the year ended 31 December 2007

Principal activity and business review

Aire Valley Funding 3 plc ("the Company") is a public limited company incorporated on 16 March 2004 in the United Kingdom under the Companies Act 1985 and registered in England and Wales

Aire Valley Holdings Limited holds one £1 ordinary fully paid share and 49,998 quarter paid ordinary shares in the Company. One £1 ordinary fully paid share is held by SFM Nominees Limited.

The Company has not traded since incorporation.

Dividend

No dividend was paid in the year (2006 £nil), and the Directors do not recommend the payment of a final dividend for the year (2006 £nil).

Risk management and control

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk being of particular significance. Details of the Company's risks are provided in note 7. 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.

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 and their interests

The Directors who served during the year were as follows:

SFM Directors Limited
SFM Directors (No 2) Limited
Christopher Patrick Willford (appointed 9 January 2007)
Christopher Donald Gillespie (resigned 9 January 2007)

Mr Willford, SFM Directors Limited and SFM Directors (No 2) Limited are or have been Directors of Aire Valley Holdings Limited during the year. None of the Directors had any interest in the loan or share capital of Aire Valley Holdings Limited, or any of its subsidiaries, during the current or preceding year. Mr Willford also served as a director of Bradford & Bingley plc, and his interests in that company's share capital are disclosed in its Annual Report and Accounts.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Political and charitable contributions

During the year no political or charitable contributions were made (2006 £nil).

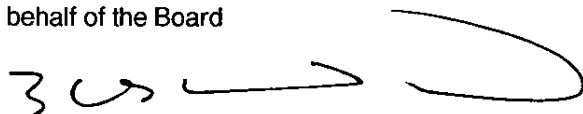
AIRE VALLEY FUNDING 3 PLC

Directors' Report for the year ended 31 December 2007 (Continued)

Auditor

Pursuant to a resolution passed by the member, KPMG Audit Plc are deemed to have been re-appointed as auditors

On behalf of the Board

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Per pro SFM Directors Limited
Director

29 July 2008

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

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with IFRS as adopted by the EU.

The Financial Statements are required by law to present fairly the financial position and performance of the Company. The Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Companies Act 1985. They have a 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.

AIRE VALLEY FUNDING 3 PLC

Independent Auditor's Report to the members of Aire Valley Funding 3 plc

We have audited the Financial Statements of Aire Valley Funding 3 plc for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 auditor

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

AIRE VALLEY FUNDING 3 PLC

Independent Auditor's Report to the members of Aire Valley Funding 3 plc (Continued)

Opinion

In our opinion

- the Financial Statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its result for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and
Registered Auditor
1 The Embankment
Neville Street
Leeds
LS1 4DW

30 July 2008

AIRE VALLEY FUNDING 3 PLC

Income Statement for the year ended 31 December 2007

During the current and preceding financial year the Company received no income and incurred no expenditure. Consequently during those years the Company made neither a profit nor a loss and no Income Statement has been prepared.

AIRE VALLEY FUNDING 3 PLC

Balance Sheet as at 31 December 2007

	Note	2007 £	2006 £
Cash and cash equivalents		12,502	12,502
Total current assets		<u>12,502</u>	<u>12,502</u>
Total assets		<u>12,502</u>	<u>12,502</u>
Equity			
Capital and reserves attributable to equity holders			
Share capital	3	12,502	12,502
Retained earnings		-	-
Total attributable equity		<u>12,502</u>	<u>12,502</u>
Total equity and liabilities		<u>12,502</u>	<u>12,502</u>

The notes on pages 13 and 14 form part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on 29 July 2008 and signed on its behalf by



Per pro SFM Directors Limited
Director

AIRE VALLEY FUNDING 3 PLC

Statement of Changes in Equity for the year ended 31 December 2007

	Retained earnings £	Share capital £	Total equity £
As at 1 January 2007 and 31 December 2007	-	12,502	12,502
As at 1 January 2006 and 31 December 2006	-	12,502	12,502

AIRE VALLEY FUNDING 3 PLC

Cash Flow Statement for the year ended 31 December

	2007	2006
	£	£
Cash and cash equivalents at beginning and end of year	<u>12,502</u>	<u>12,502</u>

AIRE VALLEY FUNDING 3 PLC

Notes to the Financial Statements for the year ended 31 December 2007

1. Principal accounting policies

Aire Valley Funding 3 plc ("the Company") is a public limited 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") The Company has adopted for the first time the following two statements issued by the IASB in August 2005 and mandatory for 2007 financial statements

The Capital Disclosures amendment to IAS 1 "Presentation of Financial Statements", and IFRS 7 "Financial Instruments Disclosures"

These two statements relate to disclosures only, and adoption of them has had no impact on the Company's Income Statement, Balance Sheet or Cash Flow Statement

The Company has not adopted IFRS 8 "Operating Segments" issued by the IASB in November 2006 and mandatory for 2009 financial statements This statement relates to disclosures only, and adoption would have no impact on the Company's Income Statement, Balance Sheet or Cash Flow Statement

The Financial Statements also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and other Accounting Amendments) Regulations 2004

(b) Basis of preparation

The Financial Statements are prepared on the historical cost basis

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment

There were no judgements made by the Directors in the application of these accounting policies that have a significant effect on the Financial Statements

The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances

(c) 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

2 Employees and Directors' emoluments

There were no employees during the year or previous year and none of the Directors received emoluments in respect of their services to the Company

3. Called up share capital

	2007	2007	2006	2006
Ordinary shares of £1 each	Shares	£	Shares	£
Authorised				
At 1 January and 31 December	100,000	100,000	100,000	100,000
	=====	=====	=====	=====
Allotted and issued				
Ordinary shares of £1 each fully paid				
At 1 January and 31 December	2	2	2	2
	=====	=====	=====	=====
Ordinary shares of £1 each, 25p paid				
At 1 January and 31 December	49,998	12,500	49,998	12,500
	=====	=====	=====	=====

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

4. 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 ordinary share capital in order that there is sufficient capital to meet the needs of the Company in its operations.

5. Ultimate parent undertaking

The company regarded by the Directors as the Company's immediate parent undertaking is Aire Valley Holdings Limited, 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 SFM Corporate Services Limited, a limited liability company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales, which holds the shares of Aire Valley Holdings Ltd on a discretionary trust basis for charitable purposes.

Copies of the financial statements of Aire Valley Holdings Limited and SFM Corporate Services Limited may be obtained from the Company Secretary at 35 Great St Helen's, London EC3A 6AP.

Under IFRS, the Company's ultimate controlling party is Bradford & Bingley plc, a public limited 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, Bradford & Bingley plc, Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

6. Related party disclosures

The Company had no transactions with related parties during the current or preceding financial year.

7. Financial instruments

In the opinion of the Directors, the fair value of the Company's cash and cash equivalents equates to their carrying value.

No financial assets were categorised as "held for trading" or "at fair value through profit or loss" in the year or preceding year.

The Company's exposure to credit risk, ie 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, is the carrying value of the Company's cash and cash equivalents.

The Company has no other material exposures to market risks.