

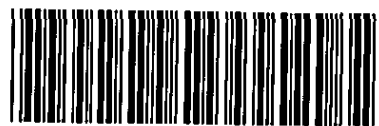
# **AIRE VALLEY FUNDING 3 PLC**

Directors' Report and Financial Statements

Registered number: 5154132

31 December 2008

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**Directors' Report and Financial Statements**

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**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

**Directors' Report for the year ended 31 December 2008**

The Directors present their Report and Financial Statements for the year ended 31 December 2008.

**Principal activity and business review**

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.

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 (2007: £nil), and the Directors do not recommend the payment of a final dividend for the year (2007: £nil).

**Risk management and control**

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk being of particular significance. The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness. The effectiveness of the risk management is then monitored on an ongoing basis. Details of the Company's risks and their management and control are provided in note 7.

**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

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 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.

**Political and charitable contributions**

During the year no political or charitable contributions were made (2007: £nil).

**Auditor**

KPMG 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

  
SFM Corporate Services Limited  
Company Secretary

26 June 2009

### **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 and applicable laws.

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.

**Independent Auditors' 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 2008 which comprise 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 auditors' 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 5.

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 whether it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

**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.

**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 2008 and of its result for the year then ended; and
- 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  
Registered Auditor

24 June 2009

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

**Income Statement for the year ended 31 December**

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.

**Balance Sheet at 31 December**

	<i>Note</i>	<b>2008</b> <b>£</b>	<b>2007</b> <b>£</b>
Cash and cash equivalents		<b>12,502</b>	12,502
<b>Total current assets</b>		<b>12,502</b>	<b>12,502</b>
<b>Total assets</b>		<b>12,502</b>	<b>12,502</b>
<b>Equity</b>			
Capital and reserves attributable to equity holders:			
Share capital	3	<b>12,502</b>	12,502
Retained earnings		-	-
<b>Total attributable equity</b>		<b>12,502</b>	<b>12,502</b>
<b>Total equity and liabilities</b>		<b>12,502</b>	<b>12,502</b>

The notes on pages 11 and 12 form part of these Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on  
24 June 2009 and signed on its behalf by:

  
per pro SFM Directors Limited  
Director

24 June 2009

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

	<b>Retained earnings £</b>	<b>Share capital £</b>	<b>Total equity £</b>
<b>As at 1 January 2008 and 31 December 2008</b>	<u>-</u>	<u>12,502</u>	<u>12,502</u>
<b>As at 1 January 2007 and 31 December 2007</b>	<u>-</u>	<u>12,502</u>	<u>12,502</u>

**Cash Flow Statement for the year ended 31 December**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Cash and cash equivalents at beginning and end of year</b>	<b><u>12,502</u></b>	<b><u>12,502</u></b>

**Notes to the Financial Statements for the year ended 31 December 2008**

**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").

In 2008 the Company has not adopted the February 2008 amendment to IAS 1 "Presentation of Financial Statements" or IFRS 8 "Operating Segments" issued by the IASB in November 2006. They are both mandatory for 2009 financial statements; these statements relate 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 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.

**Notes to the Financial Statements for the year ended 31 December 2008 (continued)****3. Called up share capital**

Ordinary shares of £1 each	2008 Shares	2008 £	2007 Shares	2007 £
<b>Authorised</b>				
At 1 January and 31 December	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Allotted and issued</b>				
Ordinary shares of £1 each fully paid				
At 1 January and 31 December	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Ordinary shares of £1 each, 25p paid				
At 1 January and 31 December	<u>49,998</u>	<u>12,500</u>	<u>49,998</u>	<u>12,500</u>

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 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.

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.

**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.