

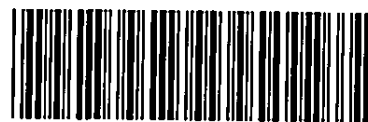
AIRE VALLEY FUNDING 3 PLC

Directors' Report and Financial Statements

Registered number: 5154132

31 December 2009

TUESDAY



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Directors' Report and Financial Statements

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Company Information

Directors

Phillip Alexander McLelland
SFM Directors Limited
SFM Directors (No 2) Limited

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 2009

Company Number: 5154132

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

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 (2008 £nil), and the Directors do not recommend the payment of a final dividend for the year (2008 £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:

Christopher Patrick Willford	(Resigned 30 June 2009)
Phillip Alexander McLelland	(Appointed 30 June 2009)
SFM Directors Limited	
SFM Directors (No. 2) Limited	

Mr Willford, Mr McLelland, 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 share or loan capital of the Company or Bradford & Bingley plc during the 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.

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

Company Number 5154132

Political and charitable contributions

During the year no political or charitable contributions were made (2008 £nil)

Auditor

KPMG have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next Annual General Meeting

By order of the Board



Helena Whitaker
Per pro SFM Corporate Services Limited
Company Secretary

21 June 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 they have elected to prepare the Financial Statements in accordance with IFRS as adopted by the 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 these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 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 2009 set out on pages 8 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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 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 auditors

As explained more fully in the Directors' Responsibilities Statement 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 result 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.

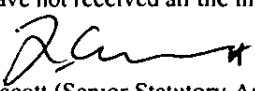
Opinion on other matter prescribed by the Companies Act 2006

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, 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 on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
21 June 2010

1 The Embankment
Neville Street
Leeds
LS1 4DW

Statement of Comprehensive Income 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 Statement of Comprehensive Income has been prepared.

Balance Sheet at 31 December**Company Number. 5154132**

	<i>Note</i>	2009	2008
		£	£
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 12 and 13 form part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on 21 June 2010 and signed on its behalf by



Helena Whitaker
per pro SFM Directors Limited
Director

21 June 2010

Statement of Changes in Equity for the year ended 31 December

	Retained earnings £	Share capital £	Total equity £
At 1 January 2009 and 31 December 2009	-	12,502	12,502
At 1 January 2008 and 31 December 2008	-	12,502	12,502

AIRE VALLEY FUNDING 3 PLC

Cash Flow Statement for the year ended 31 December

	2009	2008
	£	£
Cash flows from operating activities		
Cash and cash equivalents at beginning and end of year	<u>12,502</u>	<u>12,502</u>

Notes to the Financial Statements for the year ended 31 December 2009**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")

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 Statements 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 given the 'bankruptcy remote' nature of the entity as a special purpose vehicle 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 2009 (continued)

3 Called up share capital

Ordinary shares of £1 each	2009 Shares	2009 £	2008 Shares	2008 £
Authorised				
At 1 January and 31 December	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted and issued				
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. Audit fee of £1,107 (2008: £1,085) was borne by Bradford & Bingley plc.

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.