

AIRE VALLEY FUNDING 3 PLC

Annual Report and Financial Statements

for the 15 months to 31 March 2014

Registered Number: 05154132

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Aire Valley Funding 3 plc

Annual Report and Financial Statements for the 15 months to 31 March 2014

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Aire Valley Funding 3 plc

Strategic Report for the 15 months to 31 March 2014

The Directors present their Annual Report and Financial Statements of Aire Valley Funding 3 plc ('the Company') for the 15 months to 31 March 2014. The Company is a public limited liability company incorporated and domiciled in the United Kingdom.

The Company's accounting reference date has been changed from 31 December to 31 March to align to the year end of the Company's controlling party, HM Treasury.

Principal activities

The Company has not traded since incorporation. The Directors do not expect the Company to trade in the foreseeable future.

Controlling party

The Company's immediate parent undertaking is Aire Valley Holdings Limited, a private limited liability company incorporated and domiciled in the United Kingdom.

The Company's ultimate parent undertaking is SFM Corporate Services Limited, a private limited liability company incorporated and domiciled in the United Kingdom, which holds the shares of Aire Valley Holdings Limited on a discretionary trust basis for the benefit of certain charities.

Under IFRS, the Company's controlling party during the period and previous year was B&B a public limited 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.

The ultimate parent undertaking of B&B is UKAR, 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.

Results

During the current and preceding financial period/year, the Company received no income and incurred no expenditure. Consequently during the period/year the Company made neither a profit nor a loss. This is reflected in the Statement of Comprehensive Income on page 9.

Principal risks and uncertainties

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 6, and further discussion in the context of the B&B Group as a whole is provided on pages 7-9 of that Group's 2014 Annual Report & Accounts, which do not form part of this Report and Financial Statements.

By order of the Board.



Helena Whitaker

per pro SFM Corporate Services Limited

Company Secretary

29 August 2014

Aire Valley Funding 3 plc

Directors' Report for the 15 months to 31 March 2014

Dividends

During the period the Company made neither a profit nor a loss (2012: £nil). No dividends were paid during the 15 months to 31 March 2014 (2012: £nil), and the Directors do not recommend the payment of a final dividend (2012: £nil).

Future outlook

At the present time the Directors do not foresee any changes in the Company's activities.

Financial risk management objectives and policies

Information regarding the financial risk management objectives and policies of the Company, in relation to the use of financial instruments, is given in note 6. A description of the principal risks to which the Company is exposed is provided on page 3 which forms an integral part of the audited Financial Statements.

Directors and their interests

The Directors who served during the period and up to the date of signing the Financial Statements were as follows:

Phillip McLelland (resigned 1 December 2013)

Ian Hares (appointed 1 December 2013)

SFM Directors Limited

SFM Directors (No. 2) Limited

Mr McLelland was until 25 November 2013 a director of B&B and UKAR.

Mr Hares is a director of B&B and UKAR.

SFM Directors Limited and SFM Directors (No.2) Limited are also directors of Aire Valley Holdings Limited. None of the Directors have any beneficial interest in the ordinary share capital of the Company or Aire Valley Holdings Limited. None of the Directors had any interest during the period in any material contract or arrangement with the Company.

Third party indemnities

Qualifying third party indemnity provision for the benefit of all Directors was in force during the period under review, and remains in force at the date of approval of the Directors' Report and Financial Statements.

Company Secretary

The Company Secretary during the year and subsequently was SFM Corporate Services Limited.

Aire Valley Funding 3 plc

Directors' Report for the 15 months to 31 March 2014 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 European Union 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aire Valley Funding 3 plc

Directors' Report for the 15 months to 31 March 2014 (continued)

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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Pursuant to Section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board.



Helena Whitaker

per pro SFM Corporate Services Limited

Company Secretary

29 August 2014

Registered Office:

35 Great St. Helen's

London

EC3A 6AP

Aire Valley Funding 3 plc

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

Report on the Financial Statements

Our Opinion

In our opinion the Financial Statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its result and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Financial Statements, which are prepared by Aire Valley Funding 3 plc, comprise:

- the Balance Sheet as at 31 March 2014;
- the Statement of Comprehensive Income for the period then ended;
- the Cash Flow Statement for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the Financial Statements, which include a summary of principal accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of Financial Statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Aire Valley Funding 3 plc

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

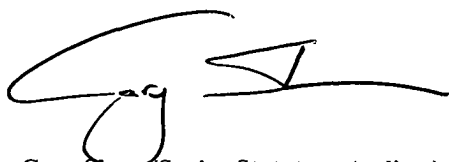
Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board'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.



Gary Shaw (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

29 August 2014

Aire Valley Funding 3 plc

Statement of Comprehensive Income for the 15 months to 31 March 2014

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

Aire Valley Funding 3 plc

Balance Sheet as at 31 March 2014

	Note	At 31 March 2014 £	At 31 December 2012 £
Assets			
Cash and cash equivalents		12,502	12,502
Total current assets		12,502	12,502
Total assets		12,502	12,502
Equity			
Issued capital and reserves:			
Share capital	8	12,502	12,502
Total equity		12,502	12,502
Total equity and liabilities		12,502	12,502

The notes on pages 13 to 16 form an integral part of these Financial Statements. The Financial Statements on pages 9 to 16 were approved by the Board of Directors on 29 August 2014 and signed on its behalf by:



Helena Whitaker
As Director per pro SFM Directors Limited
29 August 2014

Aire Valley Funding 3 plc is registered in England and Wales under Company Number 05154132.

Aire Valley Funding 3 plc

Statement of Changes in Equity for the 15 months to 31 March 2014

	Share capital £	Total equity £
At 1 January 2013 and 31 March 2014	12,502	12,502
At 1 January 2012 and 31 December 2012	12,502	12,502

Aire Valley Funding 3 plc

Cash Flow Statement for the 15 months to 31 March 2014

	15 months to 31 Mar 2014	12 months to 31 Dec 2012
	£	£
Cash and cash equivalents at end of period/year	12,502	12,502

Aire Valley Funding 3 plc

Notes to the Financial Statements for the 15 months to 31 March 2014

1. Principal accounting policies

Aire Valley Funding 3 plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom. The Company's accounting reference date has been changed from 31 December to 31 March to align to the year end of the Company's controlling party, HM Treasury.

(a) Statement of compliance

The 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 Financial Statements, including the 2012 comparative financial information where applicable, the Company has adopted for the first time the following statements:

- IFRS 13 'Fair Value Measurement' and the associated amendments to IFRS 7 'Financial Instruments: Disclosures'. IFRS 13 sets out principles for measurement of the fair value of financial assets and liabilities, but does not change which items are carried at fair value. In order to comply with IFRS 13, the Company has made minor changes to methods for calculating fair values; the impacts on the 2014 Financial Statements were not material. In accordance with IFRS 13, no restatement has been made of prior period fair values. IFRS 13 and the amended IFRS 7 also introduced additional disclosure requirements.
- The December 2011 amendments to IFRS 7 'Financial Instruments: Disclosures' and IAS 32 'Financial Instruments: Presentation' relating to the offsetting of financial assets and financial liabilities. These amendments had no material impact on the Company.
- The Annual Improvements to IFRSs 2009-2011 Cycle, issued in May 2012. These changes had no material impact on the Company.

For these Financial Statements the Company has not adopted the following statements; the Company is assessing the impacts of these statements on its Financial 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'; this statement has not yet been adopted for use in the EU. The Company continues to monitor developments.
- The Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013. These changes are mandatory for the Company's Financial Statements for the year to 31 March 2016.
- The Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013. These changes are mandatory for the Company's Financial Statements for the year to 31 March 2016.

All other new standards, amendments to standards and interpretations are not considered relevant to, and have no impact upon, the Financial Statements of the Company.

Aire Valley Funding 3 plc

Notes to the Financial Statements for the 15 months to 31 March 2014 (continued)

1. Principal accounting policies (continued)

(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, and on a going concern basis.

The Directors consider that the accounting policies set out in this note are the most appropriate to the Company's circumstances, have been consistently applied by the Company in dealing with items which are considered material, and are supported by reasonable and prudent estimates and judgements.

The Financial Statements have been prepared in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS 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 2).

(c) Cash and cash equivalents

Cash and cash equivalents comprise balances which are highly liquid and have an original maturity of three months or less.

2. Critical accounting judgements and estimates

In preparation of the Financial Statements judgements and estimates may be made which may 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. At 31 March 2014 or 31 December 2012 there were no critical accounting judgements and estimates.

3. Administrative expenses

Auditors' remuneration of £975 for the period (2012: £975) was borne by B&B.

There were no employees during the period (2012: none) and none of the Directors received emoluments in respect of their services to the Company. A corporate service fee is paid to Structured Finance Management Limited for the provision of corporate administration services including the provision of directors (see note 4).

Aire Valley Funding 3 plc

Notes to the Financial Statements for the 15 months to 31 March 2014 (continued)

4. Related party disclosures

The Company is a special purpose vehicle controlled by its Board of Directors, which comprises three Directors. Two of the Company's three Directors are corporate Directors provided by Structured Finance Management Limited and the third Director is a director of B&B (the controlling party under IFRS). The Company considers the Directors to be the key management personnel. The Company made no payments to the Directors during the period (2012: £nil).

The Company pays a corporate services fee to Structured Finance Management Limited for the provision of corporate administration services including the provision of directors. The fee payable amounted to £10,175 (2012: £8,741), all costs being borne by B&B.

5. 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 period or preceding year. The cash and cash equivalents are categorised as loans and receivables.

6. Financial risk management

The Company's exposure to credit risk, i.e. 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.

7. Capital structure

The Company's capital is represented by the capital and reserves. 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.

Aire Valley Funding 3 plc

Notes to the Financial Statements for the 15 months to 31 March 2014 (continued)

8. Share capital

	2014 Number	2012 Number	2014 £	2012 £
Authorised, issued and partly paid				
Ordinary shares of £1 each, 25p paid				
At beginning and end of period/year	49,998	49,998	12,500	12,500
Allotted, issued and fully paid				
Ordinary shares of £1 each, fully paid				
At beginning and end of period/year	2	2	2	2
At beginning and end of period/year	50,000	50,000	12,502	12,502

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

9. Ultimate controlling party

The Company's immediate parent undertaking is Aire Valley Holdings Limited, a private limited liability company incorporated and domiciled in the United Kingdom.

The Company's ultimate parent undertaking is SFM Corporate Services Limited, a private limited liability company incorporated and domiciled in the United Kingdom, which holds the shares of Aire Valley Holdings Limited on a discretionary trust basis for the benefit of certain charities.

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 during the period and previous year was B&B a public limited 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 BD16 2UA.

The ultimate parent undertaking of B&B is UKAR, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Financial Statements of UKAR may be obtained from the Company Secretary at Croft Road, Bingley, Crossflatts, BD16 2UA. The Company considers Her Majesty's Government to remain its ultimate controlling party.

10. Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 1 April 2014 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.