

AIRE VALLEY PECO LIMITED

Directors' Report and Financial Statements

Registered number: 5163659

31 December 2010

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Directors' Report and Financial Statements

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Company Information

Directors

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

Secretary

SJM Corporate Services Limited

Registered Office

35 Great St Helen's
London
EC3A 6AP

Directors' Report for the year ended 31 December 2010

Company Number 5163659

The Directors present their Report and Financial Statements for the year ended 31 December 2010

Principal activity and business review

The principal activity of Aire Valley PECO Limited (the Company) is to act as a post-enforcement call option holder for the Aire Valley Holdings Limited group of companies. The Company holds an option to purchase notes issued by members of the group for a minimal sum under certain circumstances. The Directors believe that such option has nil value as all assets against which such notes were secured will have been liquidated for the benefit of the selling noteholders.

The Company has not traded during the year.

Dividends

The Directors do not recommend the payment of a dividend for the year (2009 £nil).

Directors

The Directors who served during the year were as follows:

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

None of the Directors had any beneficial interest in the share capital of the Company or the ultimate parent company during the current or preceding year. The authorised share capital of the Company consists of 100 ordinary shares of £1 each, of which two have been issued. Independent Share Trustees Limited holds both shares in the Company on a discretionary trust basis for charitable purposes.

Third party indemnity

Structured Finance Management Limited has made qualifying third party indemnity provisions for the benefit of SFM Directors Limited and SFM Directors (No 2) Limited. Bradford & Bingley plc has made qualifying third party indemnity provisions for the benefit of Phillip McLelland.

Risk management and control

The Directors have responsibility for the overall system of control and for reviewing its effectiveness. The Company has no significant risks. The Company's operations are subject to periodic review by the Bradford & Bingley plc internal audit department.

By order of the Board



Helena Whitaker
per pro SFM Corporate Services Limited
Company Secretary

22 September 2011

Statement of Directors' Responsibilities in respect of the Directors' report and the 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 European Union ('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 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 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

Statement of Comprehensive Income for the year ended 31 December

During the financial year and the 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 presented.

Balance Sheet at 31 December

Company Number 5163659

	Note	2010 £	2009 £
Current assets			
Cash at bank and in hand		<u>2</u>	<u>2</u>
Total assets		<u><u>2</u></u>	<u><u>2</u></u>
Equity			
Capital and reserves attributable to equity holder			
Share capital	3	<u>2</u>	<u>2</u>
Total attributable equity		<u><u>2</u></u>	<u><u>2</u></u>
Total equity and liabilities		<u><u>2</u></u>	<u><u>2</u></u>

The notes on pages 10 to 12 form part of these Financial Statements

Aire Valley PECO Limited was dormant throughout the financial year to 31 December 2010

The Directors

- (a) confirm that the Company was entitled to exemption under of section 480 (1) of the Companies Act 2006 ('the Act') from the requirement to have its Financial Statements for the financial year ended 2010 audited
- (b) confirm that members have not required the Company to obtain an audit of its Financial Statements for that financial period in accordance with section 476 of the Act
- (c) acknowledge their responsibilities for
 - (i) ensuring that the Company keeps accounting records which comply with section 386 of the 2006 Act and
 - (ii) preparing Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of that Act relating to Financial Statements so far as applicable to the Company

The Financial Statements were approved by the Board of Directors and authorised for issue on

22 September 2011 signed on its behalf by



Helena Whitaker
per pro SFM Directors Limited
As Director

22 September 2011

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Total equity £
As at 1 January and 31 December 2010	<u>2</u>	<u>2</u>
As at 1 January and 31 December 2009	<u>2</u>	<u>2</u>

Cash Flow Statement for the year ended 31 December

	2010	2009
	£	£
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	<u>2</u>	<u>2</u>
Cash and cash equivalents at end of year	<u><u>2</u></u>	<u><u>2</u></u>

Represented by cash and assets with original maturity of three months or less within

Cash at bank and in hand	<u><u>2</u></u>	<u><u>2</u></u>
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Notes to the Financial Statements for the year ended 31 December 2010**1 Principal accounting policies**

Aire Valley PECOH Limited ('the Company') is a limited liability company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales.

On 1 October 2010 UK Asset Resolution Ltd ('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.

(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 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.

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 below are the most appropriate to the Company's circumstances.

Principles underlying going concern basis

The Financial Statements of the Company have been prepared on a going concern basis. The validity of this basis is dependent on the funding position of the Company and its ultimate parent undertaking, Bradford & Bingley plc. At the date of approval of these Financial Statements the Bradford & Bingley Group is reliant on the financing facilities and also upon the guarantee arrangements provided to the Company by HM Treasury. Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the Bradford & Bingley plc Group and subsequently this Company's operations and their ability to continue as a going concern, in which case adjustments may have to be made to reduce the carrying value of assets to recoverable amounts and to provide for further liabilities that might arise. At the signing date, HM Treasury has confirmed its intentions to continue to provide funding until at least 31 December 2012.

On 25 January 2010, the EC announced that it had approved under the EU state aid rules the financing facilities and guarantee arrangements provided by HM Treasury, subject to certain conditions which the Directors are confident can be met. Accordingly, the Directors believe there is no longer any material uncertainty over the Bradford & Bingley plc Group's and the Company's ability to continue as a going concern.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

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 Share capital

Ordinary shares of £1 each	2010 Shares	2009 Shares	2010 £	2009 £
Authorised				
As at 1 January and 31 December	100	100	100	100
Subscribed, issued and fully paid				
As at 1 January and 31 December	2	2	2	2

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

4 Ultimate parent undertaking

The immediate and ultimate parent undertaking of the Company is Independent Share Trustees Limited a company incorporated and registered in England and Wales which holds the shares of the Company on a discretionary trust basis for charitable purposes. Copies of the financial statements of Independent Share Trustees 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 year and previous year was Bradford & Bingley plc a 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 P O Box 88 Croft Road Crossflatts Bingley West Yorkshire BD16 2UA

All shares in B&B were transferred to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008 as a result of The Bradford & Bingley plc Transfer of Securities and Property etc Order 2008. 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 in the United Kingdom under the Companies Act 2006 and registered in England and Wales which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. As such, the Company considers Her Majesty's Government to remain its ultimate controlling party.

5 Related party disclosures

Two of the Company's Directors are corporate directors provided by Structured Finance Management Limited (SFM). B&B bears the corporate services fees which SFM charges the Company in connection with the provision of corporate management services including the provision of directors.

The Company had no other transactions with its key management during the financial year.

Auditor's remuneration for the year was borne by the Company's controlling party Bradford & Bingley plc.

Notes to the Financial Statements for the year ended 31 December 2010 (continued)

6 Critical accounting judgements and estimates

In preparation of the Financial Statements, judgements and estimates may be made which affect the reported amounts of assets and liabilities. There were no critical accounting judgements or estimates applied in the preparation of these Financial Statements.

7 Financial instruments

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 maximum 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 at banks and in hand.

The Company has no other material exposures to market risks.

8 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.