

# Notes to the Financial Statements

## 15. Shares in Group undertakings continued

The principal trading subsidiary undertakings of Bradford & Bingley plc at 31 December 2007 held directly or indirectly, all of which are fully consolidated into the Group Financial Statements, are listed below:

	Country of incorporation	Major activity	Class of shares held	Interest
<b>Direct</b>				
Bradford & Bingley International Ltd	Isle of Man	Offshore deposit-taking	Ordinary	100%
Bradford & Bingley Investments	England	Holding company	Ordinary	100%
Bradford & Bingley Treasury Services (Ireland)	England	Treasury activities	Ordinary	100%
<b>Indirect</b>				
Mortgage Express	England	Residential mortgage lending	Ordinary	100%

The following companies are SPVs established in connection with the Group's securitisation and covered bond programmes (see note 12). The Company has no ownership interest in these entities but they are regarded as subsidiaries as they are, in substance, controlled by the Company.

	Country of incorporation	Major activity
<b>SPVs</b>		
Aire Valley Finance (No.2) plc	England	Debt issuance
Aire Valley Mortgages 2004-1 plc	England	Debt issuance
Aire Valley Mortgages 2005-1 plc	England	Debt issuance
Aire Valley Mortgages 2006-1 plc	England	Debt issuance
Aire Valley Warehousing 3 Ltd	England	Debt issuance
Aire Valley Mortgages 2007-1 plc	England	Debt issuance
Aire Valley Mortgages 2007-2 plc	England	Debt issuance
Bradford & Bingley Covered Bonds LLP	England	Mortgage funding

Bradford & Bingley Investments, Bradford & Bingley Treasury Services (Ireland) and Mortgage Express are all unlimited companies.

No fair value is provided in respect of shares in Group undertakings as these shares do not have a quoted market price.

## 16. Other assets

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Consideration due in respect of sale of assets	645.9	-	645.9	-
Deposits by banks awaiting settlement	-	16.8	-	16.8
Other	5.7	4.5	4.3	3.1
Available-for-sale equity investments	2.1	-	2.1	-
	653.7	21.3	652.3	19.9

## 17. Deferred taxation

The net deferred taxation asset is attributable to the following:

Group	Assets		Liabilities		Net	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Change in accounting basis on adoption of IFRS	14.1	17.0	(19.2)	(23.1)	(5.1)	(6.1)
Cash flow hedge	23.4	-	-	(8.9)	23.4	(8.9)
Accelerated tax depreciation	3.7	4.6	-	(3.6)	3.7	1.0
Other	1.2	7.0	(2.5)	(1.8)	(1.3)	5.2
Employee benefits	27.6	24.8	(24.5)	(7.4)	3.1	17.4
Taxation value of losses carried forward	-	-	-	(2.9)	-	(2.9)
	70.0	53.4	(46.2)	(47.7)	23.8	5.7
Offset	(46.2)	(47.7)	46.2	47.7	-	-
	23.8	5.7	-	-	23.8	5.7

**17. Deferred taxation continued**

Company	Assets		Liabilities		Net	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Change in accounting basis on adoption of IFRS	8.5	10.2	(14.7)	(17.7)	(6.2)	(7.5)
Cash flow hedge	23.4	-	-	(8.9)	23.4	(8.9)
Accelerated tax depreciation	1.5	3.4	-	-	1.5	3.4
Other	-	3.5	-	0.1	-	3.6
Employee benefits	27.6	24.8	(24.5)	(7.4)	3.1	17.4
Taxation value of losses carried forward	-	-	-	-	-	-
	<b>61.0</b>	<b>41.9</b>	<b>(39.2)</b>	<b>(33.9)</b>	<b>21.8</b>	<b>8.0</b>
Offset	(39.2)	(33.9)	39.2	33.9	-	-
	<b>21.8</b>	<b>8.0</b>	<b>-</b>	<b>-</b>	<b>21.8</b>	<b>8.0</b>

The movements in the Group's temporary differences during the year and previous year were as follows:

	At 1 January 2007 £m	Recognised in income £m	Recognised in equity £m	At 31 December 2007 £m
Change in accounting basis on adoption of IFRS	(6.1)	1.0	-	(5.1)
Cash flow hedge	(8.9)	-	32.3	23.4
Accelerated tax depreciation	1.0	2.7	-	3.7
Other	5.2	(6.5)	-	(1.3)
Employee benefits	17.4	2.6	(16.9)	3.1
Taxation value of losses carried forward	(2.9)	2.9	-	-
	<b>5.7</b>	<b>2.7</b>	<b>15.4</b>	<b>23.8</b>

	At 1 January 2006 £m	Recognised in income £m	Recognised in equity £m	At 31 December 2006 £m
Change in accounting basis on adoption of IFRS	(6.8)	0.7	-	(6.1)
Cash flow hedge	-	-	(8.9)	(8.9)
Accelerated tax depreciation	1.5	(0.5)	-	1.0
Other	(2.2)	0.8	6.6	5.2
Employee benefits	38.1	(15.2)	(5.5)	17.4
Taxation value of losses carried forward	(2.9)	-	-	(2.9)
	<b>27.7</b>	<b>(14.2)</b>	<b>(7.8)</b>	<b>5.7</b>

The movements in the Company's temporary differences during the year and previous year were as follows:

	At 1 January 2007 £m	Recognised in income £m	Recognised in equity £m	At 31 December 2007 £m
Change in accounting basis on adoption of IFRS	(7.5)	1.3	-	(6.2)
Cash flow hedge	(8.9)	-	32.3	23.4
Accelerated tax depreciation	3.4	(1.9)	-	1.5
Other	3.6	(3.6)	-	-
Employee benefits	17.4	2.6	(16.9)	3.1
	<b>8.0</b>	<b>(1.6)</b>	<b>15.4</b>	<b>21.8</b>

	At 1 January 2006 £m	Recognised in income £m	Recognised in equity £m	At 31 December 2006 £m
Change in accounting basis on adoption of IFRS	(8.3)	0.8	-	(7.5)
Cash flow hedge	-	-	(8.9)	(8.9)
Accelerated tax depreciation	3.4	-	-	3.4
Other	(9.0)	6.0	6.6	3.6
Employee benefits	38.1	(15.2)	(5.5)	17.4
	<b>24.2</b>	<b>(8.4)</b>	<b>(7.8)</b>	<b>8.0</b>

Deferred taxation appropriately reflects the change to the standard rate of UK corporation tax from 30% to 28% which will become effective on 1 April 2008.