

23. Other liabilities

At 31 December	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Income tax	56.0	42.5	54.6	41.3
Surplus conversion shares	25.7	26.2	25.7	26.2
Other creditors	59.5	46.9	47.8	40.4
	141.2	115.6	128.1	107.9

The income tax liability comprises taxes deducted at source from interest paid to investors and from remuneration of employees and Directors.

24. Accruals and deferred income

At 31 December	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Accrued interest on subordinated liabilities	32.1	19.6	37.7	25.8
Accrued interest on other capital instruments	5.6	6.1	-	-
Deferred income	2.1	2.8	2.1	2.8
Other	44.3	55.9	45.6	55.5
	84.1	84.4	85.4	84.1

25. Post-retirement benefit obligations**(a) Pension schemes**

The Group operates a closed defined benefit staff pension scheme, the Bradford & Bingley Staff Pension Scheme ('the principal scheme'), which is administered by trustees. The funds are independent from those of the Group. The normal pension age of employees in the scheme is 65.

The Group also operates a defined contribution scheme, the Bradford & Bingley Group Pension Plan. The funds of this scheme are independent from those of the Group. The Group and Company had no liabilities or prepayments associated with the defined contribution scheme at 31 December 2007 (2006: £nil). The cost in the year to the Group of the defined contribution scheme was £1.4m (2006: £1.2m) and the cost to the Company was £1.0m (2006: £0.9m).

(b) Other post-retirement benefits

The Group provides healthcare benefits to some of its pensioners. The healthcare benefits are provided through a post-retirement medical scheme into which the Company contributes 100% towards the cost of providing medical expense benefits for members who retired before 1 January 1996 and 50% for members who retired after this date. The total number of members of the scheme as at 31 December 2007 was 515 (2006: 557). Private medical costs are assessed in accordance with the advice of a qualified actuary.

(c) Accounting treatment

The Group accounts for post-retirement benefit costs in accordance with IAS 19. The full net actuarial deficit is carried on the Group and Company Balance Sheets, and actuarial gains and losses are taken to Group and Company retained earnings rather than being charged or credited in the Income Statement. The actuarial gain recognised in the Group and Company retained earnings during the year was £53.3m (2006: £20.1m).

More than one employing Group entity contributes to the post-retirement benefit schemes. As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual Group entities the net defined benefit cost is recognised in the Financial Statements of the Company (being the sponsoring entity) while other individual Group entities, in their individual Financial Statements, recognise a cost equal to their contributions payable for the period.

(d) Employee benefit obligations

The amounts carried in the Group and Company Balance Sheets are as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Present value of funded obligations	586.8	621.9	11.0	10.6	597.8	632.5
Fair value of plan assets	(575.8)	(549.3)	-	-	(575.8)	(549.3)
Net liability	11.0	72.6	11.0	10.6	22.0	83.2
Amounts carried in the Balance Sheet:						
- Liabilities	11.0	72.6	11.0	10.6	22.0	83.2

Notes to the Financial Statements

25. Post-retirement benefit obligations continued

(d) Employee benefit obligations continued

The amounts recognised in the Group Income Statement are as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Current service cost	7.5	7.5	0.1	0.1	7.6	7.6
Interest on plan obligations	29.9	28.3	0.5	0.4	30.4	28.7
Expected return on plan assets	(34.4)	(29.1)	-	-	(34.4)	(29.1)
	3.0	6.7	0.6	0.5	3.6	7.2
Actual return on plan assets	27.5	45.7	-	-	27.5	45.7

All amounts above have also been recognised in the Company Income Statement with the exception of £1.4m (2006: £1.7m) of the current service cost which has been recognised within other Group companies.

Changes in the present value of the defined benefit obligations were as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Opening defined benefit obligations	621.9	604.2	10.6	8.7	632.5	612.9
Current service cost	7.5	7.5	0.1	0.1	7.6	7.6
Contributions by employees	0.9	0.9	-	-	0.9	0.9
Interest on plan obligations	29.9	28.3	0.5	0.4	30.4	28.7
Actuarial (gain)/loss	(60.4)	(5.3)	0.2	1.8	(60.2)	(3.5)
Benefits paid	(13.0)	(13.7)	(0.4)	(0.4)	(13.4)	(14.1)
Closing defined benefit obligations	586.8	621.9	11.0	10.6	597.8	632.5

Changes in the fair value of plan assets were as follows:

	Defined benefit pension plans		Post-retirement medical benefits		Total	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Opening fair value of plan assets	549.3	500.7	-	-	549.3	500.7
Expected return on plan assets	34.4	29.1	-	-	34.4	29.1
Contributions by employing entities	11.0	14.9	0.4	0.4	11.4	15.3
Contributions by employees	0.9	0.9	-	-	0.9	0.9
Actuarial (loss)/gain	(6.9)	16.6	-	-	(6.9)	16.6
Benefits paid	(12.9)	(12.9)	(0.4)	(0.4)	(13.3)	(13.3)
Closing fair value of plan assets	575.8	549.3	-	-	575.8	549.3

The Group expects to contribute £10.1m to its defined benefit pension plans in 2008.

The major categories of plan assets as a percentage of total plan assets at 31 December as follows:

	2007	2006
Equities	44%	47%
Property	15%	15%
Bonds	27%	7%
Gilts	6%	26%
Cash and other	8%	5%
	100%	100%

25. Post-retirement benefit obligations continued**(d) Employee benefit obligations continued**

The principal actuarial assumptions (expressed as weighted averages) were as follows:

	2007	2006
To determine benefit obligations		
Discount rate at 31 December	5.8%	5.1%
Future pension increases	3.4%	3.1%
Rate of salary increase	5.4%	5.1%
To determine the net pension cost		
Expected return on plan assets	6.3%	5.8%
Discount rate	5.1%	4.7%
Rate of salary increase	5.1%	4.8%
For post-retirement medical plan		
Discount rate	5.8%	5.1%
Inflation	3.4%	3.1%
Medical cost trend for 2007	6.5%	7.3%
Medical cost trend falling linearly for 2008-2009	6.5% to 5.5%	7.3% to 4.5%
Medical cost trend falling linearly for 2010-2011	5.5%	5.9% to 4.5%
Medical cost trend from 2012	5.5%	4.5%

In determining the expected long-term return on plan assets the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term return for the portfolio.

The principal assumption made on life expectancy for active and retired members was to use PA92 (YOB) base rated up by 2 years. As an illustration of the mortality rates used, the future life expectancies from age 60 are shown below:

	Males	Females
Non-retired members' life expectancy*	25.9	28.7
Retired members' life expectancy**	23.8	26.8

* based on 1965 year of birth

** based on 1935 year of birth

Sensitivity

The following table illustrates the sensitivity of the pension scheme defined benefit obligation to four key assumptions: the discount rate, the rate of inflation, the rate of salary growth and the mortality assumption.

Assumption	Change in assumption	Impact on benefit obligation
Discount rate	Decrease by 0.5%	Increase by 11.9%
Inflation	Increase by 0.5%	Increase by 10.4%
Salary growth above inflation	Increase by 0.5%	Increase by 1.8%
Mortality	Decrease by 1 year	Increase by 2.3%

If the assumptions were to change by the same amount in the opposite direction to those illustrated, the benefit obligation would decrease or increase by a similar percentage to those shown in the table in each case.

Assumed healthcare cost trend rates have an effect on the amounts recognised in staff costs. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2007 £m	2006 £m
Effect on the aggregate of service cost and interest cost	0.1	0.1
Effect on defined benefit obligations	1.9	1.9

	2007 £m	2006 £m
Experience adjustments on post-retirement medical plan liabilities: reduction in liability of	0.1	0.1

26. Provisions

Group and Company	Empty leasehold premises £m	Compensation claims £m	Restructuring costs £m	Pension review £m	Total £m
At 1 January 2007	2.7	84.9	7.1	0.1	94.8
Charged in the year	0.3	-	5.7	-	6.0
Utilised in the year	(2.1)	(34.2)	(4.7)	(0.1)	(41.1)
At 31 December 2007	0.9	50.7	8.1	-	59.7