

SCOTLIFE HOMELOANS (No.2) LIMITED

REPORT AND ACCOUNTS 1997

Registered number
2220177

Registered office

Endeavour House
1 Lyonsdown Road
New Barnet
Herts EN5 1HU

Directors

David Roger Finney
Bryan Donald Needham
John Arthur William Smith

Secretary

Kenneth Cromar



Directors' report for the year ended 31 December 1997

Principal activity

Prior to 4 November 1997, the Company's principal activity was the provision of mortgage loans secured on residential properties. On the 3 September 1997 the Company disposed of certain assets and liabilities, valued as at 31 August 1997, to Bradford and Bingley Mortgages Limited. On 4 November 1997, the Company disposed of its beneficial interest in its remaining mortgage assets to Aire Valley Finance plc. From 4 November 1997, the company's principal activity is to act in an agency capacity, to enable the collection and distribution of cash from mortgage loans secured on residential properties.

Result

The following interim dividends were paid during the year:

Date paid:	Amount paid:
20 May 1997	£1,080,362
31 August 1997	£1,053,739
14 October 1997	£ 64,141

The result for the year is shown in the profit and loss account on page 6.

The result for the year ended 31 December 1997 was a profit after taxation of £2,265,809 (1996 : £1,740,189). The directors recommend the payment of £67,567 as a final dividend.

Payment policy

Standard terms provide for payment of all invoices within 14 days after the date of the invoice, except where different arrangements have been agreed with suppliers. It is the policy of the company to abide by the agreed terms of payment. The average period an invoice remains outstanding is seven days.

Directors

The names of the present directors of the company are shown on page 1.

During the year, the following directors were appointed or resigned:

DIRECTORS	APPOINTED	RESIGNED
T M Dawson	-	04-11-97
D R Finney	30-10-97	-
KR Greenough	-	04-11-97
B D Needham	30-10-97	-
M Pheasey	23-05-97	04-11-97
C J Rodrigues	23-05-97	04-11-97
J A W Smith	23-05-97	-

No Director had a beneficial interest in the share capital of the Company or in share or loan capital of any other company in the group at any time during the period under review.

By order of the Board



Kenneth Cromar
Company Secretary

18th June 1998

Statement of directors' responsibilities

The following statement, which should be read in conjunction with auditors' report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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 the profit or loss for the financial year. They are also required to prepare the accounts on a going concern basis unless this is inappropriate.

The directors consider that in preparing the financial statements on pages 6 to 11 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors 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.

Auditors' report to the members of Scotlife Home Loans (No.2) Limited

We have audited the financial statements on pages 6 to 11.

Respective responsibilities of directors and auditor

As described on page 4 the Company's directors responsible for the preparation of financial statements.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give assurances that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditor
LONDON

18 June 1998

SCOTLIFE HOMELOANS (No.2) LIMITED

Profit and loss account for the year ended 31 December 1997

<i>Discontinued Activities</i>	Notes	Year Ended 31 December 1997 £	Year Ended 31 December 1996 £
Profit on ordinary activities before tax	2	3,230,517	2,558,580
Tax on profit on ordinary activities	3	(964,708)	(818,391)
Profit for the financial year		<u>2,265,809</u>	<u>1,740,189</u>
Dividend	4	(2,265,809)	(1,740,189)
Retained Profit/(Loss) for the year	9	<u><u>0</u></u>	<u><u>0</u></u>

The Company had no recognised gains or losses other than the above profit for the year.

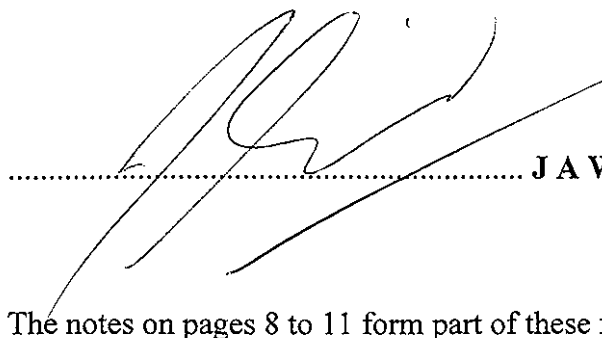
The notes on pages 8 to 11 form part of these financial statements.

SCOTLIFE HOMELOANS (No.2) LIMITED

Balance sheet at 31 December 1997

	Notes	31 December 1997 £	31 December 1996 £
Current Assets			
Mortgage advances - due within one year		-	12,004,620
- due after more than one year		-	228,087,784
Debtors	6	1,033,275	2,652
		<u>1,033,275</u>	<u>240,095,056</u>
Creditors: amounts falling due within one year	7	(1,032,275)	(240,095,054)
Net current assets		<u>1,000</u>	<u>2</u>
Total assets less current liabilities		<u><u>1,000</u></u>	<u><u>2</u></u>
Capital and Reserves			
Called up share capital	8	1,000	2
Profit and loss account	9	-	-
Shareholders' funds		<u><u>1,000</u></u>	<u><u>2</u></u>

Approved by the Board on 18th June 1998 and signed on its behalf.


 J A W SMITH - Director

The notes on pages 8 to 11 form part of these financial statements

Notes to the financial statements for the year ended 31 December 1997

1. Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, and are prepared in accordance with applicable accounting standards.

Provisions for Bad and Doubtful Debts

Specific provisions are made for advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not yet specified, are known to be present at the year end in any portfolio of advances.

Interest charged to mortgage accounts which are in possession and which is expected to be irrecoverable is written off against interest receivable in the year

Taxation

Corporation tax payable and any group relief arising is provided at the current rate on the taxable profit for the year.

Deferred tax

Deferred tax is provided at the appropriate rates of tax where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Cash flow statement

The accounts do not include a cash flow statement because, in accordance with Financial Reporting Standard 1, the company's ultimate holding company, Spicedeck Limited, includes such a statement in its consolidated accounts.

Related parties

As permitted by Financial Reporting Standard 8 the company is exempt from providing full details of its transactions with entities included within the group of its ultimate parent company.

2. Profit on ordinary activities before tax.

This is stated after:	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Crediting		
Interest income	15,203,687	21,554,684
Other operating income	123,313	191,149
Debiting		
Interest payable	(11,593,448)	(15,995,143)
Other costs	(503,035)	(3,192,110)
	<u>3,230,517</u>	<u>2,558,580</u>

Auditor's remuneration for 1997 was borne by Mortgage Express.

SCOTLIFE HOMELOANS (No.2) LIMITED

3. Tax on profit on ordinary activities

United Kingdom Corporation Tax at 31.5% (1996 : 33%)	Year ended 31 December 1997 £	Year ended 31 December 1996 £
Corporation Tax payable	964,708	818,391
	<u>964,708</u>	<u>818,391</u>

4. Dividend

	31 December 1997 £	31 December 1996 £
Dividend	<u>2,265,809</u>	<u>1,740,189</u>

5. Employees and directors' emoluments

There were no employees during the year and none of the directors received emoluments in respect of their services to the Company.

6. Debtors

	31 December 1997 £	31 December 1996 £
Other debtors	1,000	2,652
Amounts owed from group undertakings	1,032,275	-
	<u>1,033,275</u>	<u>2,652</u>

7. Creditors : amounts falling due within one year

	31 December 1997 £	31 December 1996 £
Amounts owed to group undertakings	-	235,958,208
Corporation Tax payable	964,708	818,062
Dividend proposed	67,567	3,318,784
	<u>1,032,275</u>	<u>240,095,054</u>

8. Called up share capital

	31 December 1997	31 December 1996
	£	£
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid 1,000 ordinary shares of £1 each	1,000	2

On 23 May 1997 the company issued 2 £1 ordinary shares to Bradford and Bingley Building Society

On 23 May 1997 the company issued 996 £1 ordinary shares to Mortgage Express Holdings

9. Reserves

	31 December 1997	31 December 1996
	£	£
Opening balance	-	-
Profit for the financial period	2,265,809	1,740,189
Dividend paid	(2,198,242)	(1,740,189)
Dividend proposed	(67,567)	
Closing balance	<u><u>-</u></u>	<u><u>-</u></u>

10a. Sale of Mortgage Portfolio

The Company sold, for cash, its mortgage portfolio to the following companies at book value in the following tranches:

		£,000
31 August 1997	Bradford and Bingley Mortgages Limited	42,978
3 October 1997	Bradford and Bingley Mortgages Limited	28,999
3 November 1997	Aire Valley Finance plc	145,216

b. Sale of Net Assets

On the 3 September 1997 the Company sold for cash its entire business and net liabilities of £172,830,073, (with the exception of certain mortgage assets - £28,999,000 sold after this date), to Bradford and Bingley Mortgages Limited at book value.

11. Ultimate parent undertaking

The company regarded by the directors as the immediate holding company is Mortgage Express Holdings, which is registered in England and Wales. The company regarded by the directors as the ultimate parent undertaking is Spicedeck Limited, registered in England and Wales, the whole of whose share capital is held by Royal Exchange Trust Company Limited on trust for charitable purposes.

Spicedeck is the parent company of the smallest and largest group of companies for which group accounts are prepared. Copies of these accounts may be obtained from the Secretary, Spicedeck Limited, 200 Aldersgate Street, London, EC1A 4JJ.