

SCOTLIFE HOME LOANS (No.2) LIMITED

Directors' Report and Financial Statements

Registered number 2220177

31 December 2006



Company Information

Directors

Capita Trust Company Limited

Adrian Walton Gower

(Resigned 31 October 2006)

Christopher Patrick Willford

David Ross Baker

(Appointed 31 October 2006)

Secretary

Philip Kershaw

(Appointed 30 April 2006)

Alan Forbes Shankley

(Resigned 30 April 2006)

Registered Office

Endeavour House

1 Lyonsdown Road

New Barnet

Hertfordshire

EN5 1HU

Auditor

KPMG Audit Plc

1 The Embankment

Neville Street

Leeds

LS1 4DW

Directors' Report and Financial Statements

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Directors' Report for the year ended 31 December 2006

The Directors present their Report and Financial Statements for the year ended 31 December 2006

Principal activity

The principal activity of Scotlife Home Loans (No 2) Limited ("the Company") is to act in an agency capacity, to enable the collection and distribution of cash from mortgage loans secured on residential property

Business review

The Company has not traded during the year

Dividend

The Directors do not recommend the payment of a dividend for the year (2005 £219)

Directors and their interests

The Directors who served during the year were as follows

Capita Trust Company Limited

Adrian Walton Gower

(Resigned 31 October 2006)

Christopher Patrick Willford

David Ross Baker

(Appointed 31 October 2006)

None of the Directors held any interest in the ordinary shares of the Company during the year or the preceding year Mr Willford, Mr Baker and Capita Trust Company Limited also served as Directors of the Company's ultimate parent undertaking Spicedeck Limited None of the Directors had an interest in the share or loan capital of Spicedeck Limited or of its subsidiaries

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

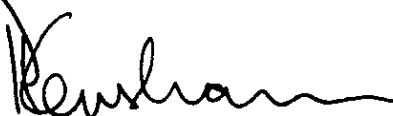
International Financial Reporting Standards

The Company has adopted International Financial Reporting Standards ("IFRS") with effect from 1 January 2005

Auditor

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting

By order of the Board



Philip Kershaw
Company Secretary

28 February 2007

Statement of Directors' Responsibilities in respect of the Directors Report and Financial Statements

The Directors are responsible for preparing the Directors' Report and 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 elected to prepare the Financial Statements in accordance with IFRSs as adopted by the EU, and applicable laws.

The Financial Statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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 IFRSs 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. 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.

Report of the Independent Auditor to the Members of Scotlife Home Loans (No.2) Limited

We have audited the Financial Statements of Scotlife Home Loans (No 2) Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Changes in Equity and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 the 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 reasonable assurance 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, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2006 and of its result for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 February 2007

Income Statement for the year ended 31 December 2006

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 as at 31 December 2006

	Note	2006 £	2005 £
Non-current assets			
Trade and other receivables	4	1,000	1,000
Total assets		<u>1,000</u>	<u>1,000</u>
Equity			
Capital and reserves attributable to equity holders			
Share capital	5	1,000	1,000
Total equity		<u>1,000</u>	<u>1,000</u>

The notes on pages 12 to 14 form part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on 28 February 2007 and signed on its behalf by



Director

28 February 2007

SCOTLIFE HOME LOANS (No.2) LIMITED

Statement of Changes in Equity for the year ended 31 December 2006

	Share capital £000	Retained earnings £000	Total equity £000
As at 1 January 2005	1,000	219	1,219
Dividends	-	(219)	(219)
As at 31 December 2005	<u>1,000</u>	<u>-</u>	<u>1,000</u>
As at 1 January 2006 and 31 December 2006	<u>1000</u>	<u>-</u>	<u>1000</u>

Cash Flow Statement for the year ended 31 December 2006

	2006	2005
	£	£
Cash flows from operating activities		
Profit for the financial year	-	-
<i>Adjustments for</i>		
Decrease in trade and other receivables	-	219
Net cash from operating activities	<u>-</u>	<u>219</u>
Cash flows from financing activities		
Dividends paid	-	(219)
Net cash from financing activities	<u>-</u>	<u>(219)</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2006

1. Significant accounting policies

Scotlife Home Loans (No 2) Limited (the "Company") is a company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales

(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 IFRSs") The Company has not adopted the following two statements issued by the IASB in August 2005 and mandatory for 2007 Financial Statements

- The Capital Disclosures amendment to IAS 1, and
- IFRS 7 "Financial Instruments Disclosures"

These two statements relate to disclosures only, and adoption of them would have no impact on the Company's Income Statement, Balance Sheet or Cash Flow Statement

The Financial Statements also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and other Accounting Amendments) Regulations 2004

(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

The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances

(c) Trade & other receivables

Trade and other receivables are measured at amortised cost Amortised cost is the amount measured at initial recognition, adjusted for subsequent principal and other payments, less cumulative amortisation calculated using the effective interest rate ("EIR") method The EIR basis spreads interest over the expected life of the loan

Notes to the Financial Statements for the year ended 31 December 2006 (continued)

2 Dividends	2006	2005
	£	£
Dividends recognised in the year were as follows		
£nil (2005 21 9p) per ordinary share	<u>-</u>	<u>219</u>
	<u>-</u>	<u>219</u>

After the balance sheet date no further dividends were proposed by the Directors (2005 £nil)

3 Employees and Directors' emoluments

There were no employees during the period and none of the Directors received emoluments in respect of their services to the Company

4 Trade and other receivables

	2006	2005
	£	£
Amounts due from Group undertakings	779	779
Other debtors	<u>221</u>	<u>221</u>
	<u>1,000</u>	<u>1,000</u>

All debtors are interest free and their fair value is considered to be equal to the carrying value because they are repayable on demand. Total debtors represents the Company's maximum exposure to credit risk.

Notes to the Financial Statements for the year ended 31 December 2006 (continued)

5 Share capital

	2006	2005
	£	£
Authorised, issued and fully paid as at 1 January and 31 December		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

6 Ultimate parent undertaking

The immediate parent undertaking of Scotlife Home Loans (No 2) Limited is Mortgage Express Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The undertaking regarded by the Directors as the ultimate parent undertaking is Spicedeck Limited, an undertaking incorporated in Great Britain and registered under the Companies Act 1985. Copies of the accounts of Spicedeck Limited can be obtained from the Secretary, Spicedeck Limited, Endeavour House, 1 Lyonsdown Road, New Barnet, Hertfordshire, EN5 1HU.

The Company's ultimate controlling party is Bradford & Bingley plc and the Company's results are included in the consolidated Financial Statements of Bradford & Bingley plc. Copies of these accounts can be obtained from the Company Secretary, Bradford & Bingley plc, P O Box 88, Croft Road, Crossflatts, Bingley, BD16 2UA.

7 Related party disclosures

The Company's key management personnel are its Directors.

The Company had no transactions with its key management personnel or other related parties during the financial year or the preceding financial year.

Details of balances with Group undertakings are shown in note 4.