

# **SCOTLIFE HOME LOANS (No.2) LIMITED**

**Directors' Report and Financial Statements**

**Registered number 2220177**

**31 December 2008**

**TUESDAY**



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**Directors' Report and Financial Statements**

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**Company Information**

**Directors**

Capita Trust Company Limited  
Capita Trust Corporate Services Limited  
Paul Hopkinson (appointed 30 June 2009)

**Secretary**

John Gornall

**Registered Office**

P.O.Box 88  
Croft Road  
Crossflatts  
Bingley  
West Yorkshire  
BD16 2UA

**Auditor**

KPMG Audit Plc  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

**Directors' Report for the year ended 31 December 2008**

The Directors present their Report and Financial Statements for the year ended 31 December 2008.

**Principal activity and Business review**

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.

The Company has not traded during the year or preceding year and consequently made neither a profit nor a loss.

**Dividend**

During the year the Company did not pay any dividends (2007: £nil) and the Directors do not recommend the payment of a final dividend for the year (2007: £nil).

**Directors**

The Directors who served during the year were as follows:

Capita Trust Company Limited  
Capita Trust Corporate Services Limited  
Christopher Patrick Willford (resigned 30 June 2009)

Capita Trust Company Limited, Capita Trust Corporate Services Limited and Mr Willford are or have been Directors of the company's ultimate parent undertaking, Spicedeck Limited, during the year. None of the Directors had an interest in the share or loan capital of Spicedeck Limited or any of its subsidiaries, during the current or preceding year. Mr Willford also served as a Director of the Company's controlling party Bradford & Bingley plc, and his interests in that Company's share capital are disclosed in its Annual Report and Accounts.

**Disclosure of information to auditors**

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.

**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.

On behalf of the Board

  
Capita Trust Corporate Services Limited  
Director

17 September 2009

**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 IFRS as adopted by the EU.

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 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 proper accounting records that 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 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.

**Independent Auditor's Report 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 2008 which comprise the Income Statement, the Balance Sheet, Statement of Changes in Equity, the Cash Flow Statement 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 Auditor**

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) 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.

**Opinion**

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2008 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.

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

**Emphasis of matter**

In forming our opinion on the Financial Statements, which is not qualified, we have considered the adequacy of the disclosures made within the basis of preparation section of the accounting policies. The continued availability of the financing facilities and guarantee arrangements provided to the Company's controlling party, Bradford & Bingley plc, by HM Treasury, upon which the Bradford & Bingley plc group and the Company are reliant, is conditional upon approval by the European Commission under the state aid rules. This condition indicates the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. The Financial Statements do not include adjustments that would result if the Company was unable to continue to trade as a going concern.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
23 Sept 2009

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

**Income Statement 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.

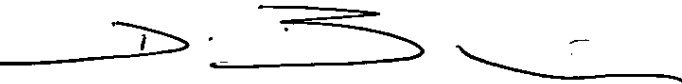


## Balance Sheet at 31 December

	Note	2008 £	2007 £
<b>Current assets</b>			
Trade and other receivables	3	1,000	1,000
<b>Total assets</b>		<u>1,000</u>	<u>1,000</u>
<b>Equity</b>			
Capital and reserves attributable to equity holders:			
Share capital	4	1,000	1,000
<b>Total equity</b>		<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  
17 September 2009 and signed on its behalf by:



Capita Trust Corporate Services Limited  
Director

17 September 2009

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

	Share capital £	Retained earnings £	Total equity £
At 1 January and 31 December 2008	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 1 January and 31 December 2007	<u>1,000</u>	<u>-</u>	<u>1,000</u>

**Cash Flow Statement for the year ended 31 December**

During the financial year and the preceding financial year the Company had no cash flows or balances. Consequently no Cash Flow Statement has been presented.

**Notes to the Financial Statements for the year ended 31 December 2008****1. Principal accounting policies**

Scotlife Home Loans (No.2) Limited ("the Company") is a limited liability 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 IFRS").

In 2008 the Company has not adopted the February 2008 amendment to IAS 1 "Presentation of Financial Statements" or IFRS 8 "Operating Segments" issued by the IASB in November 2006. They are both mandatory for 2009 financial statements; these statements relate to disclosures only, and adoption 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 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, 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 controlling party, Bradford & Bingley plc. At the date of approval of these Financial Statements the Bradford & Bingley plc group is reliant on the financing facilities and also upon the guarantee arrangements provided by HM Treasury. However, the continued availability of these facilities is conditional upon approval by the European Commission under the state aid rules and until such approval is granted, there is considered to be a material uncertainty which may cast significant doubt on the Company's ability to continue on a going concern basis and to realise its assets and discharge its liabilities in the normal course of business. If the financing facilities and guarantee arrangements were withdrawn the Company and other companies in the Bradford & Bingley plc group may not be able to meet their financial or funding obligations, which would have a significant impact on the Company's operations, and adjustments may have to be made to reduce the monetary value of assets and to provide for further liabilities that may arise.

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

**1. Principal accounting policies (continued)****(c) Trade & other receivables**

The company's trade and other receivables are carried at cost less any allowance for impairment.

**2. Employees and Directors' emoluments**

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

**3. Trade and other receivables**

	2008 £	2007 £
Amounts due from Group undertakings	1,000	779
Other receivables	-	221
	<u>1,000</u>	<u>1,000</u>

All receivables are interest-free and repayable on demand. None of these balances is considered to be impaired, and no impairment allowance has been recognised.

**4. Share capital**

	2008 £	2007 £
Authorised, issued and fully paid at 1 January and 31 December:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

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

**5. 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.

**6. 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 3.

The Company's 2008 and 2007 audit fees were borne by the Company's controlling party Bradford & Bingley plc.

**Notes to the Financial Statements for the year ended 31 December 2008 (continued)****7. Ultimate parent undertaking**

The Company's immediate parent undertaking is Mortgage Express Holdings, an unlimited company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. The Company's ultimate parent undertaking is Spicedeck Limited, a limited liability company incorporated in the United Kingdom under the Companies Act 1985 and registered in England and Wales. Copies of the financial statements of Spicedeck Limited can be obtained from the Secretary, Spicedeck Limited, Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

Under IFRS, the Company's controlling party during the year and previous year was Bradford & Bingley plc, a public 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 may be obtained from the Company Secretary at P.O. Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

As a result of The Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008, which transferred all shares in Bradford & Bingley plc to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008, the Company considers Her Majesty's Government to be the ultimate controlling party from that date.

**8. Financial instruments**

In the opinion of the Directors, the fair value of the Company's trade and other receivables equates to their carrying value.

No financial assets were categorised as "held for trading" or "at fair value through profit or loss" in the year or preceding year, and no financial assets were reclassified during the year or previous year between amortised cost and fair value categories.

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 trade and other receivables.

The Company had no other material exposures to market risks.

**9. Critical accounting judgements and estimates**

In preparation of the Company's Financial Statements judgements and estimates are made which affect the reported amounts of assets and liabilities; judgements and estimates are kept under continuous evaluation. Judgements and estimates are based on historical experience, expectations of future events and other factors. The Company's trade and other receivables are not considered to be impaired.