

SCOTLIFE HOME LOANS (No.2) LIMITED

Directors' Report and Financial Statements

Registered number 2220177

31 December 2007



Directors' Report and Financial Statements

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Company Information

Directors

Capita Trust Company Limited
Capita Trust Corporate Services Limited
Christopher Patrick Willford

Secretary

Paul Martin Hopkinson

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 2007

The Directors present their Report and Financial Statements for the year ended 31 December 2007

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 (2006 £nil) and the Directors do not recommend the payment of a final dividend for the year (2006 £nil)

Directors

The Directors who served during the year were as follows

Capita Trust Company Limited
Capita Trust Corporate Services Limited
Christopher Patrick Willford
David Ross Baker (resigned 17 July 2007)

Capita Trust Company Limited, Capita Trust Corporate Services Limited, Mr Willford and Mr Baker, 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 Bradford & Bingley plc, and his interests in that Company's share capital are disclosed in its Annual Report and Accounts

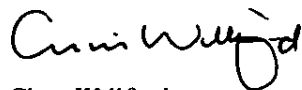
Disclosure of information to auditors

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



Chris Willford
Director

27th October 2008

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.

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 2007 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 (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.

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 IFRS as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 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.

Report of the Independent Auditor 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 concerning the existence of a material uncertainty considered by the Directors in preparing the Financial Statements, which may cast significant doubt on the Company's ability to continue as a going concern. This results from the existence of a material going concern uncertainty in relation to Bradford & Bingley plc. 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

27 October 2008

1 The Embankment
Neville Street
Leeds
LS1 4DW

Income Statement for the year ended 31 December 2007

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

	<i>Note</i>	2007 £	2006 £
Non-current assets			
Trade and other receivables	3	1,000	1,000
Total assets		<u><u>1,000</u></u>	<u><u>1,000</u></u>
Equity			
Capital and reserves attributable to equity holders			
Share capital	4	1,000	1,000
Total equity		<u><u>1,000</u></u>	<u><u>1,000</u></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
27th October 2008 and signed on its behalf by



Chris Willford
Director

27th October 2008

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January and 31 December 2007	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 1 January and 31 December 2006	<u>1,000</u>	<u>-</u>	<u>1,000</u>

Cash Flow Statement for the year ended 31 December 2007

During the financial year and the preceding financial year there were no Company cash flows. Consequently during those years no Cash flow Statement has been prepared.

Notes to the Financial Statements for the year ended 31 December 2007**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 IFRS")

In the 2007 Financial Statements, including the 2006 comparative financial information, the Company has adopted for the first time the following statements

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

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

The Company has not adopted IFRS 8 "Operating Segments" issued by the IASB in November 2006 and mandatory for 2009 financial statements, this statement relates 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

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

Principles underlying going concern assumption

The Financial Statements of the Company have been prepared on a going concern basis. The validity of this assumption is dependent on the funding position of Bradford & Bingley plc. At the date of approving these Financial Statements the financing facility provided to Bradford & Bingley plc by the Bank of England and the guarantee arrangements provided to Bradford & Bingley plc by HM Treasury are conditional upon approval by the European Commission under the State Aid rules. 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 as a going concern and to realise its assets and discharge its liabilities in the normal course of business, on the grounds that the financing facility and guarantee arrangements may be withdrawn in which case Bradford & Bingley plc may not be able to meet its financial or funding obligations to the Company and other Group companies. This may have an impact on the recoverability of certain assets in the balance sheets of the companies in the Bradford & Bingley Group, including this Company, and also their own funding positions. This would have a significant impact on the Company's operations, and adjustments may have to be made to reduce the monetary value of assets to recoverable amounts and to provide for further liabilities that might arise.

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

1. Significant 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 period and none of the Directors received emoluments in respect of their services to the Company

3. Trade and other receivables

	2007 £	2006 £
Amounts due from Group undertakings	779	779
Other debtors	221	221
	<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

4. Share capital

	2007 £	2006 £
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>

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 2007 audit fee was borne by Bradford & Bingley plc.

Notes to the Financial Statements for the year ended 31 December 2007 (continued)**7. Ultimate parent undertaking**

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

Under IFRS, the Company's ultimate controlling party during the year and previous year was Bradford & Bingley plc, a company incorporated and registered in England and Wales under the Companies Act 1985. 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.

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 has no other material exposures to market risks.

9. Events after the Balance Sheet date

As described in note 7 all shares in Bradford & Bingley plc were transferred to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008 under the terms of the Bradford & Bingley plc Transfer of Securities and Property etc Order 2008, and the Company considers Her Majesty's Government to be the ultimate controlling party from that date.