

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

Directors' Report and Financial Statements

Registered number: 2220177

31 December 2011



**Directors' Report and Financial Statements**

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**Company Information**

**Directors**

Paul Hopkinson  
Phillip McLelland

**Secretary**

John Gornall

**Registered Office**

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

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

**Directors' Report for the year ended 31 December 2011****Registered number. 2220177**

The Directors present their Report and Financial Statements for the year ended 31 December 2011

**Principal activity and business review**

On 1 October 2010 UK Asset Resolution Limited ('UKAR') was established as the holding company for Northern Rock (Asset Management) plc ('NRAM') and Bradford & Bingley plc ('B&B'), bringing together the two brands under shared management and a common Board of Directors. UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated.

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 is a limited liability company incorporated and domiciled in the United Kingdom.

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

**Dividends**

During the year the Company did not pay any dividends (2010: £nil) and the Directors do not recommend the payment of a final dividend for the year (2010: £nil).

**Payment policy**

Standard terms provide for payment of all invoices within 30 days of invoice date, except where different arrangements have been agreed with suppliers. It is the policy of the Company to abide by the agreed payment terms.

**Directors**

The Directors who served during the year and subsequently were as follows:

Capita Trust Company Limited	(resigned 20 January 2012)
Capita Trust Corporate Services Limited	(resigned 20 January 2012)
Paul Martin Hopkinson	
Phillip Alexander McLelland	(appointed 20 January 2012)

Capita Trust Company Limited, Capita Trust Corporate Services Limited, Mr Hopkinson and Mr McLelland are or have been directors of the Company's 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.

**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.

**Risk management and control**

The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness. The effectiveness of the risk management is then monitored on an ongoing basis. Details of the Company's risks and their management and control are provided in note 8. Further discussion in the context of the B&B Group as a whole is provided in that Group's 2011 Annual Report & Accounts, which do not form part of this Report and Financial Statements.

**Directors' Report for the year ended 31 December 2011 (continued)****Registered number: 2220177****Corporate governance**

The Directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

**Political and charitable contributions**

During the year and previous year no political or charitable contributions were made.

**Third party indemnities**

The Articles of Association provide the power to indemnify any Director against liabilities incurred as a result of their office.

UKAR has also provided each Director with a Deed of Indemnity indemnifying them to the fullest extent permitted by law against all losses suffered or incurred in respect of acts and omissions arising as a result of holding office. The indemnities also extend to the reimbursement of each Director with the costs of defending all claims, actions and proceedings including regulatory investigation arising out of or connected with the exercise of, or failure to exercise, any of the Director's powers, duties or responsibilities as an officer, director, trustee, agent or employee of the UKAR Group and any of its subsidiaries. Reimbursement is subject to the Director's obligation to repay UKAR in accordance with the provisions of the Companies Act 2006. The payment obligations of the Company under each Deed of Indemnity are backed by a specific guarantee in favour of the Director entered into between each Director and HM Treasury.

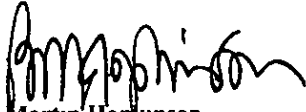
UKAR has also arranged Directors' and Officers' Insurance on behalf of the Directors in accordance with the provisions of the Companies Act 2006.

**Independent auditors**

During the year KPMG Audit Plc resigned as auditor to the Company, and PricewaterhouseCoopers LLP ('PwC') were appointed.

In accordance with the Companies Act 2006 a resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



**Paul Martin Hopkinson**

Director

21 September 2012

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the 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 prepared the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Paul Martin Hopkinson**

Director

21 September 2012

**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 2011 which comprise the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

**Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its result for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Gary Shaw (Senior Statutory Auditor)**

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

21 September 2012

**Statement of Comprehensive Income 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 Statement of Comprehensive Income has been presented.



**Balance Sheet at 31 December**  
**Registered number: 2220177**

	<i>Note</i>	<b>2011</b> £	2010 £
<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 an integral part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on 21 September 2012 and signed on its behalf by



**Paul Martin Hopkinson**  
 Director  
 21 September 2012

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

	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>At 1 January and 31 December 2011</b>	<u><b>1,000</b></u>	<u><b>-</b></u>	<u><b>1,000</b></u>
<b>At 1 January and 31 December 2010</b>	<u><b>1,000</b></u>	<u><b>-</b></u>	<u><b>1,000</b></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 2011****1. Principal accounting policies**

Scotlife Home Loans (No 2) Limited ('the Company') is a limited liability company incorporated and domiciled in the United Kingdom

**(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')

The Financial Statements comply with the relevant provisions of Part 15 of the Companies Act 2006 and regulations made thereunder

**(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 validity of the going concern basis of accounting is dependent upon the funding position of the Company. At the date of approval of these Financial Statements, the B&B Group is reliant upon the financing facilities and also upon the guarantee arrangements provided to B&B by HM Treasury. Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the B&B Group's and the Company's operations and their ability to continue as a going concern, in which case adjustments may have to be made to reduce the carrying value of assets to recoverable amounts and to provide for further liabilities that might arise. At the date of signing these Financial Statements, HM Treasury has confirmed its intentions to continue to provide funding until at least 1 October 2013.

The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances, have been consistently applied by the Company in dealing with items which are considered to be material, and are supported by reasonable and prudent estimates and judgements.

The Financial Statements have been prepared in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 9).

The Financial Statements contain information about Scotlife Homeloans (No2) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent Undertaking UK Asset Resolution Limited ('UKAR').

**(c) Trade and other receivables**

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

## Notes to the Financial Statements for the year ended 31 December 2011 (continued)

**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**

	2011 £	2010 £
Amounts due from Group undertakings	<u>1,000</u>	<u>1,000</u>
	<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**

	2011 £	2010 £
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 in 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 2006, 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 audit fees of £1,018 (2010: £1,138) were borne by the Company's controlling party B&B.

**Notes to the Financial Statements for the year ended 31 December 2011 (continued)****7. Ultimate parent undertaking**

The Company's immediate parent undertaking during the year and previous year was Mortgage Express Holdings, an unlimited company incorporated and domiciled in the United Kingdom. The Company's ultimate parent undertaking was Capita IRG Trustees Limited, during the year Spicedeck Limited, the parent undertaking of Mortgage Express Holdings, issued additional share capital, and consequently its immediate parent undertaking became Bradford & Bingley Investments, a subsidiary undertaking of B&B.

Under IFRS, the Company's controlling party during the year and previous year was B&B, a public company incorporated and domiciled in the United Kingdom. B&B heads the smallest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Financial Statements of B&B may be obtained from the Company Secretary at P O Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

All shares in B&B were transferred to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008 as a result of The Bradford & Bingley plc Transfer of Securities and Property etc Order 2008. On 1 October 2010 all shares in B&B were acquired via a share-for-share exchange by UK Asset Resolution Limited, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. As such, the Company considers Her Majesty's Government to remain its ultimate controlling party. UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Financial Statements of UKAR may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

**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.

*Trade and other receivables*

The Directors believe that the trade and other receivables are not impaired.

**10. Events after the reporting period**

The Directors are of the opinion that there have been no significant events which have occurred since 31 December 2011 to the date of this report that are likely to have a material effect on the Company's financial position as disclosed in the Financial Statements.