

SCOTLIFE HOME LOANS (No.2) LIMITED

Directors' Report and Financial Statements

Registered number 2220177

31 December 2009

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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

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 2009

The Directors present their Report and Financial Statements for the year ended 31 December 2009

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 (2008 £nil) and the Directors do not recommend the payment of a final dividend for the year (2008 £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)
Paul Martin Hopkinson (appointed 30 June 2009)

Capita Trust Company Limited, Capita Trust Corporate Services Limited, Mr Willford and Mr Hopkinson 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

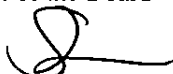
Disclosure of information to auditors

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 the Companies Act 2006 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

14 APRIL 2010

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

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 they have elected to prepare the Financial Statements in accordance with IFRSs as adopted by the European Union ('EU') and applicable law.

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 judgments 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 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 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 2009 set out on pages 7 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 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 ('APB's') Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of Financial Statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs 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.



J L Ellacott (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

1 The Embankment
Neville Street
Leeds
LS1 4DW

14 April 2010

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>	2009 £	2008 £
Current assets			
Trade and other receivables	3	1,000	1,000
Total assets		<u>1,000</u>	<u>1,000</u>
Equity			
Capital and reserves attributable to equity holders			
Share capital	4	1,000	1,000
Total equity		<u>1,000</u>	<u>1,000</u>

The notes on pages 11 to 13 form part of these Financial Statements

The Financial Statements were approved by the Board of Directors and authorised for issue on

14 APRIL 2010 and signed on its behalf by



Capita Trust Corporation Services Ltd
Director

14 APRIL 2010

SCOTLIFE HOME LOANS (No 2) LIMITED

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January and 31 December 2009	<u><u>1,000</u></u>	<u><u>-</u></u>	<u><u>1,000</u></u>
At 1 January and 31 December 2008	<u><u>1,000</u></u>	<u><u>-</u></u>	<u><u>1,000</u></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 2009**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")

For these 2009 Financial Statements, including the 2008 comparative financial information where applicable, the Company has adopted for the first time the following statements

- The February 2008 amendment to IAS 1 "Presentation of Financial Statements" This relates to presentation only, and adoption has had no material impact on the Company's Statement of Comprehensive Income, Balance Sheet or Cash Flow Statement
- The March 2009 amendment to IFRS 7 "Financial Instruments Disclosures" This relates to disclosures only, and adoption has had no impact on the Company's Statement of Comprehensive Income, Balance Sheet or Cash Flow Statement As permitted by the amended standard, the Company has not presented comparative 2008 disclosures
- IFRS 8 "Operating Segments" This standard replaced IAS 14 "Segment Reporting" The Company's business and operations comprise one single activity, principally within the United Kingdom, and hence no segmental information has been provided

The Financial Statements also 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 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 ultimate parent undertaking, 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 to the Company by HM Treasury Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the Bradford & Bingley plc Group, and subsequently this 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 signing date, HM Treasury has confirmed its intentions to continue to provide funding until at least 30 April 2011

On 25 January 2010, the EC announced that it had approved under the EU state aid rules the financing facilities and guarantee arrangements provided by HM Treasury, subject to certain conditions which the Directors are confident can be met Accordingly, the Directors believe there is no longer any material uncertainty over the Bradford & Bingley plc Group's and the Company's ability to continue as a going concern

Notes to the Financial Statements for the year ended 31 December 2009 (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

	2009 £	2008 £
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

	2009 £	2008 £
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, 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 2009 and 2008 audit fees were borne by the Company's controlling party Bradford & Bingley plc

Notes to the Financial Statements for the year ended 31 December 2009 (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.

Trade and other receivables

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