

SCOTLIFE HOMELOANS (No.2) LIMITED

REPORT AND ACCOUNTS 1998

Registered number
2220177

Registered office

Endeavour House
1 Lyonsdown Road
New Barnet
Herts EN5 1HU

Directors

David Roger Finney
Bryan Donald Needham
John Arthur William Smith

Secretary

Alan Forbes Shankley



Directors' report and financial statements

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Directors' report for the year ended 31 December 1998

Principal activity

The company's principal activity is to act in an agency capacity, to enable the collection and distribution of cash from mortgage loans secured on residential properties.

Result

The result for the year ended 31 December 1998 was neither a profit nor a loss (1997 :Profit after tax of £2,265,809).

Payment policy

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

Directors

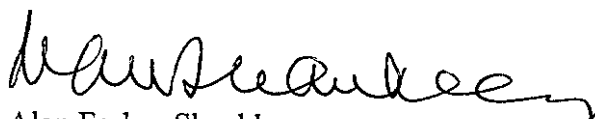
The names of the present directors of the company are shown on page 1. The directors served as directors throughout the year.

No director had a beneficial interest in the share capital of the company or in share or loan capital of any other company in the group at any time during the period under review.

Year 2000

The company's operations are administered by Mortgage Express, which is a subsidiary of Bradford and Bingley Building Society. A review across the Bradford and Bingley Group is currently being undertaken to assess the potential impact and extent of the year 2000 problem in the business. Full details of this review are included in the financial statements of Bradford and Bingley Building Society. The Directors of the company do not consider that the impact of the year 2000 issues on the business will be significant and accordingly any rectification costs are not expected to be material.

By order of the Board



Alan Forbes Shankley
Company Secretary

17 MARCH

1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 applicable accounting standards 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW

Auditors' report to the members of Scotlife Home Loans (No.2) Limited

We have audited the financial statements on pages 6 to 10.

Respective responsibilities of directors and auditor

As described on page 4 the company's directors responsible for the preparation of financial statements.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards 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 assurances 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 of the state of the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

17 March 1999

Profit and loss account for the year ended 31 December 1998

| <i>Discontinued Activities</i> | Notes | Year ended 31 December 1998 £ | Year ended 31 December 1997 £ |
|---|-------|-------------------------------------|-------------------------------------|
| Profit on ordinary activities before tax | 2 | - | 3,230,517 |
| Tax on profit on ordinary activities | 3 | - | (964,708) |
| Profit for the financial year | | - | 2,265,809 |
| Dividend | 4 | - | (2,265,809) |
| Retained Profit/(Loss) for the year | 9 | - | - |

The company had no recognised gains or losses other than the above profit for the year.

The notes on pages 8 to 10 form part of these financial statements.

SCOTLIFE HOMELOANS (No.2) LIMITED

Balance sheet at 31 December 1998

| | Notes | 31 December 1998 £ | 31 December 1997 £ |
|--|-------|-----------------------|-------------------------------|
| Debtors | 6 | <u>1,000</u> 1,000 | <u>1,033,275</u> 1,033,275 |
| Creditors: amounts falling due within one year | 7 | - | (1,032,275) |
| Net current assets | | <u>1,000</u> | <u>1,000</u> |

Capital and Reserves

| | | | |
|-------------------------|---|--------------|--------------|
| Called up share capital | 8 | 1,000 | 1,000 |
| Profit and loss account | 9 | - | - |
| Shareholders' funds | | <u>1,000</u> | <u>1,000</u> |

Approved by the Board on 17 MARCH 1999 and signed on its behalf.



J A W SMITH - Director

The notes on pages 8 to 10 form part of these financial statements

Notes to the financial statements for the year ended 31 December 1998

1. Accounting policies*Basis of accounting*

The financial statements are prepared on the historical cost basis of accounting, and are prepared in accordance with applicable accounting standards.

Provisions for Bad and Doubtful Debts

Specific provisions are made for advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not yet specified, are known to be present at the year end in any portfolio of advances.

Interest charged to mortgage accounts which are in possession and which is expected to be irrecoverable is written off against interest receivable in the year.

Taxation

Corporation tax payable and any group relief arising is provided at the current rate on the taxable profit for the year.

Deferred tax

Deferred tax is provided at the appropriate rates of tax where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Cash flow statement

The accounts do not include a cash flow statement because, in accordance with Financial Reporting Standard 1(Revised), the company's ultimate holding company, Spicedeck Limited, includes such a statement in its consolidated accounts.

Related parties

As permitted by Financial Reporting Standard 8 the company is exempt from providing full details of its transactions with entities included within the group of its ultimate parent company.

2. Profit on ordinary activities before tax.

This is stated after:

| | Year ended 31 December 1998 | Year ended 31 December 1997 |
|------------------------|--------------------------------|--------------------------------|
| | £ | £ |
| Crediting | | |
| Interest income | - | 15,203,687 |
| Other operating income | - | 123,313 |
| Debiting | | |
| Interest payable | - | (11,593,448) |
| Other costs | - | (503,035) |
| | <u>-</u> | <u>3,230,517</u> |

SCOTLIFE HOMELOANS (No.2) LIMITED

Auditor's remuneration for 1998 was borne by Mortgage Express.

3. Tax on profit on ordinary activities

United Kingdom Corporation Tax at 31% (1997 : 31.5%)

| | Year ended 31 December 1998 | Year ended 31 December 1997 |
|-------------------------|--------------------------------|--------------------------------|
| | £ | £ |
| Corporation tax payable | - | 964,708 |
| | <u>-</u> | <u>964,708</u> |

4. Dividends

| | Year ended 31 December 1998 | Year ended 31 December 1997 |
|-------------------------|--------------------------------|--------------------------------|
| | £ | £ |
| Interim dividend paid | - | 2,198,242 |
| Final dividend proposed | - | 67,567 |
| | <u>-</u> | <u>2,265,809</u> |

5. Employees and directors' emoluments

There were no employees during the year and none of the directors received emoluments in respect of their services to the company.

6. Debtors

| | 31 December 1998 | 31 December 1997 |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Other debtors | 1,000 | 1,000 |
| Amounts owed from group undertakings | - | 1,032,275 |
| | <u>1,000</u> | <u>1,033,275</u> |

7. Creditors : amounts falling due within one year

| | 31 December 1998 | 31 December 1997 |
|-------------------------|------------------|------------------|
| | £ | £ |
| Corporation tax payable | - | 964,708 |
| Dividend proposed | - | 67,567 |
| | <u>-</u> | <u>1,032,275</u> |

SCOTLIFE HOMELOANS (No.2) LIMITED

8. Called up share capital

| | 31 December 1998 £ | 31 December 1997 £ |
|--|-----------------------|-----------------------|
| Authorised 1,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted, issued and fully paid 1,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |

9. Shareholders' funds

| | 31 December 1998 £ | 31 December 1997 £ |
|-------------------------------------|-----------------------|-----------------------|
| Profit for the financial period | - | 2,265,809 |
| Dividends | - | (2,265,809) |
| Net addition to shareholders' funds | - | - |
| Opening shareholders' funds | <u>1,000</u> | <u>1,000</u> |
| Closing shareholders' funds | <u>1,000</u> | <u>1,000</u> |

11. Ultimate parent undertaking

The company regarded by the directors as the immediate holding company is Mortgage Express Holdings, which is registered in England and Wales. The company regarded by the directors as the ultimate parent undertaking is Spicedeck Limited, registered in England and Wales, the whole of whose share capital is held by Royal Exchange Trust Company Limited on trust for charitable purposes.

Spicedeck Limited is the parent company of the smallest and largest group of companies for which group accounts are prepared. Copies of these accounts may be obtained from the Secretary, Spicedeck Limited, Endeavour House, 1 Lyonsdown Road, New Barnet, Herts EN5 1HU.