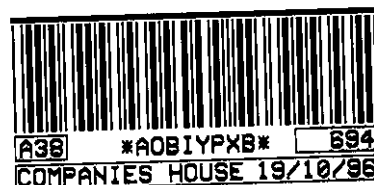


SCOTLIFE HOME LOANS (No.2) LIMITED

REPORTS AND ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1995

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Registration Number : 2220177

SCOTLIFE HOMELOANS (No.2) LIMITED

DIRECTORS' REPORT

Directors: K R Greenough
T M Dawson

Secretary: S Barford Wilks

Registered Office: Endeavour House, 1 Lyonsdown Road
New Barnet, Hertfordshire EN5 1HU

The directors present their report and the audited accounts of the Company for the fourteen month period ended 31 December 1995.

Accounting Reference Date

During the period the Company changed its accounting reference date from 31 October to 31 December. These accounts, therefore, cover the fourteen month period ended 31 December 1995. Comparative figures are for the year ended 31 October 1994.

Principal activity

The Company is a wholly owned subsidiary of Lloyds TSB Group plc (formerly TSB Group plc). In April 1991, the company ceased to write any new mortgage business. Since that date, the principal activity of the company has been the administration of its existing mortgage book.

Results

The results for the period are shown in the profit and loss account on page 6.

The results for the period after taxation was a profit of £1,578,596 (1994:£5,423,194). The directors recommend the distribution of the whole of such profit as a dividend to the holding company.

Directors

The directors listed above served as directors of the Company throughout the period.

Directors' interests in shares

None of the directors has any interest in the share capital of the Company. Beneficial interests of the directors and their immediate families in ordinary shares of 25p each in the Company's ultimate parent company, Lloyds TSB Group plc, are shown over the page:

SCOTLIFE HOMELOANS (No.2) LIMITED

DIRECTORS' REPORT (Continued)

	At 31 December 1995		At 1 November 1994	
	Shares	Shares under option	Shares	Shares under option
K R Greenough	5,585	137,739	3,865	124,661
T M Dawson	16,577	125,502	9,817	116,094

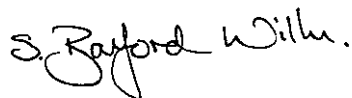
The options to purchase shares were granted under the terms of the executive share option and sharesave schemes of the Lloyds TSB Group.

Mr K R Greenough exercised 9,230 options during the period at an exercised price of 117p per share.

Mr T M Dawson exercised 5,230 options during the period at an exercised price of 117p per share.

Except as disclosed above, none of the directors held any interest in the shares or debentures of Lloyds TSB Group plc or any of its subsidiary companies at 1 November 1994 and 31 December 1995.

By order of the board



S Barford Wilks
Secretary

11.10. 1996

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for the financial period. They are also required to prepare the accounts on a going concern basis unless this is inappropriate.

The directors consider that in preparing the accounts on pages 6 to 10 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement of auditors' responsibilities

The auditors are responsible for forming an independent opinion on the accounts presented by the directors, based on their audit, and for reporting their opinion to members. They also have the responsibility under the Companies Act 1985 to report to members if particular requirements are not met. These requirements are:

- o that the Company has maintained proper accounting records;
- o that the accounts are in agreement with the accounting records;
- o that directors' emoluments and other transactions are properly disclosed in the accounts; and
- o that they have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report on pages 2 and 3. However, the Companies Act 1985 requires the auditors to report to members if the matters contained in the directors' report are inconsistent with the accounts.

**REPORT OF THE AUDITORS, KPMG, 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 AUDITORS

As described on page 4 the Company's Directors are responsible for the preparation of the financial statements.

It is our responsibility to form an independent opinion, based on our audit, on those 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 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 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 1995 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Chartered Accountants

Registered Auditor

LONDON

17 October 1996

SCOTLIFE HOMELOANS (No.2) LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE
PERIOD ENDED 31 DECEMBER 1995**

<i>Continuing Activities</i>	<u>Notes</u>	14 Months Ended 31-December 1995 £	12 Months Ended 31-October 1994 £
Operating Profit before taxation	2	2,610,266	8,156,682
Taxation	3	(1,031,670)	(2,733,488)
Profit after taxation		<u>1,578,596</u>	<u>5,423,194</u>
Dividend Proposed		(1,578,596)	(5,423,194)
Retained Profit transferred to reserves		<u><u>-</u></u>	<u><u>-</u></u>

The Company had no recognised gains or losses other than the above profit for the period.

There was no movement in Shareholders funds, due to profit for the financial year being paid as a dividend to the Holding Company. Accordingly a statement reconciling the movement of shareholders funds has not been prepared.

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

SCOTLIFE HOMELOANS (No.2) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	<u>Notes</u>	<u>As At</u> <u>31-December</u> <u>1995</u> <u>£</u>	<u>As At</u> <u>31-October</u> <u>1994</u> <u>£</u>
CURRENT ASSETS			
Mortgage Advances	- due within one year	28,262,000	4,516,722
	- due after more than one year	255,859,788	294,296,000
Debtors	5	107,116	-
		<u>284,228,904</u>	<u>298,812,722</u>
CREDITORS			
Amounts falling due within one year	6	(284,228,902)	(298,812,770)
NET CURRENT ASSETS / (LIABILITIES)		<u>2</u>	<u>(48)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2</u>	<u>(48)</u>
CAPITAL AND RESERVES			
Called Up Share Capital	7	2	2
Profit And Loss Account	8	-	-
		<u>2</u>	<u>2</u>

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

Approved by the directors on the
and signed on their behalf by

17.10.1996

.....
Director **K R GREENOUGH**

SCOTLIFE HOMELOANS (No.2) LIMITED

NOTES TO ACCOUNTS FOR PERIOD ENDED 31 DECEMBER 1995

1. Accounting Policies

The accounts have been prepared under the historical cost convention and in accordance with Applicable Accounting Standards. The principal accounting policies adopted by the company are described below and have been applied consistently.

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 specifically identified, are known to be present at the year end in any portfolio of advances.

Taxation

Corporation tax payable/receivable is provided on taxable profits/losses at the current rate.

2. Profit before taxation is stated after:

	As At 31-December 1995 £	As At 31-October 1994 £
Crediting		
Interest income	32,214,132	33,929,685
Other operating income	192,166	254,037
Debiting		
Interest payable	(23,515,121)	(19,426,610)
Other Costs	(6,280,911)	(6,600,430)
	<u>2,610,266</u>	<u>8,156,682</u>

Auditors remuneration for 1995 was borne by Mortgage Express Limited.

3. Taxation

The debit for taxation which is based on the operating profit for the period assumes United Kingdom Corporation Tax at 33% and comprises:

	As At 31-December 1995 £	As At 31-October 1994 £
UK Corporation Tax payable	(1,031,670)	(2,686,488)
Adjustment in respect of prior year	-	(47,000)
Total UK Corporation Tax payable	<u>(1,031,670)</u>	<u>(2,733,488)</u>

4. **Directors and Employees emoluments**

There were no employees during the year and none of the Directors received emoluments.

5. **Debtors**

	As At 31-December 1995 £	As At 31-October 1994 £
Other debtors	107,116	-
	<u>107,116</u>	<u>-</u>

6. **Creditors amounts falling due within one year**

	As At 31-December 1995 £	As At 31-October 1994 £
Amounts owed to group undertakings	(281,618,636)	(291,252,374)
Corporation Tax payable	(1,031,670)	(2,131,488)
Other creditors	-	(5,714)
Dividend proposed	(1,578,596)	(5,423,194)
	<u>(284,228,902)</u>	<u>(298,812,770)</u>

7. **Share Capital**

	As At 31-December 1995 £	As At 31-October 1994 £
Authorised	1,000	1,000
Allotted, issued and fully paid	2	2

8. **Reserves**

	As At 31-December 1995 £	As At 31-October 1994 £
Balance as at 1st November and 31 December	<u>-</u>	<u>-</u>

9. **Cash Flow Statement**

The accounts do not include a cash flow statement because, in accordance with Financial Reporting Standard 1, the Company's ultimate holding company, Lloyds TSB Group plc, includes such a statement in its consolidated accounts.

10. **Ultimate parent undertaking**

The Company's immediate holding company is Mortgage Express Holdings Limited, which is registered in England and Wales. The Company's ultimate parent undertaking is Lloyds TSB Group plc, which is registered in Scotland.

The parent company of the largest group of companies for which group accounts are prepared is Lloyds TSB Group plc. The parent company of the smallest such group is TSB Bank plc. Copies of the consolidated accounts of those companies may be obtained from the Secretary, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.