

ABBAY LIFE FUNDING LIMITED

DIRECTORS' REPORT AND ACCOUNTS 1995



Company Registration Number: 2104259

ABBAY LIFE FUNDING LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 1995.

ACCOUNTS

The Directors submit the audited accounts for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the Company is the provision of residential mortgages.

The Company primarily financed the mortgages from funding provided through Lloyds Bowmaker Finance Limited.

As at 31 December 1995 total mortgage loans held by the Company amounted to £658,000.

During the year under review a profit of £15,335,000 was achieved.

DISPOSAL OF FIRST MORTGAGE BUSINESS

During July, the Company disposed of the majority of its first mortgage business. The net book value of the mortgage loans disposed of was £222,406,000, resulting in a profit of £15,812,000, net of disposal costs. The disposal included a transfer to a fellow subsidiary.

DIVIDENDS

The Directors propose to pay a dividend of £11,000,000 in respect of the year ended 31 December 1995.

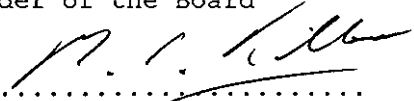
DIRECTORS AND THEIR INTERESTS

The Board of Directors during the year was:

A G Glass	(Resigned 31 December 1995)
P F Hook	(Appointed 31 December 1995)
D A Baggaley	

According to the register, none of the Directors has or has had at any time during the year, any interest in the share capital of the Company. The interest of Directors in the shares of Lloyds TSB Group plc and Lloyds Abbey Life plc are disclosed in the accounts of Lloyds Bowmaker Finance Limited.

By Order of the Board



.....
4th June 1996

Finance House
51 Holdenhurst Road
Bournemouth
BH8 8EP

Company Registration Number: 2104259

ABBAY LIFE FUNDING LIMITED

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

CASH FLOW STATEMENT

The Company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its parent undertaking, Lloyds Abbey Life plc.

INTANGIBLE ASSETS

Expenditure relating to the initial expenses of establishing the loans is deferred and charged to the profit and loss account over a period of five years. These expenses comprise insurance premiums, loan arrangement fees, introductory commission payable and legal and other initial expenses.

INVESTMENTS

Mortgage loans are shown at cost less amounts written off.

DEFERRED TAXATION

Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences where there is a reasonable probability that such taxation will become payable.

TURNOVER

Turnover, which represents interest on mortgage loans and other operating income, is included in the profit and loss account on an accruals basis.

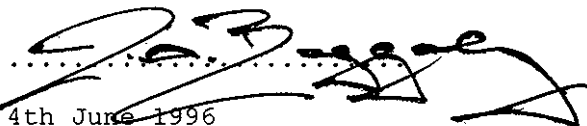
INTEREST RATE HEDGE TRANSACTIONS

Costs and savings on interest rate hedge transactions are included in the profit and loss account on a basis consistent with the hedged transaction.

ABBEY LIFE FUNDING LIMITED

BALANCE SHEET AT 31 DECEMBER 1995

	<u>NOTE</u>	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
INTANGIBLE ASSETS			
Deferred revenue expenditure	1	-	-
INVESTMENTS			
Mortgage loans		658	236,000
CURRENT ASSETS			
Debtors		48	2,768
Amounts due from group undertakings	2	22,554	1,404
Cash at bank and in hand		-	368
		<u>22,602</u>	<u>4,540</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors		3	79
Amounts due to group undertakings	3	7,288	242,203
Corporation tax payable		2,972	953
Dividends payable		11,000	-
Accruals		1,079	666
		<u>22,342</u>	<u>243,901</u>
NET CURRENT ASSETS/(LIABILITIES)		260	(239,361)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>918</u>	<u>(3,361)</u>
PROVISION FOR LIABILITIES & CHARGES			
Deferred taxation	4	-	56
TOTAL ASSETS LESS LIABILITIES		<u>918</u>	<u>(3,417)</u>
CAPITAL AND RESERVES			
Called up share capital	5	-	-
Profit and loss account		918	(3,417)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>918</u>	<u>(3,417)</u>


4th June 1996

ABBAY LIFE FUNDING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED 31 DECEMBER 1995

	<u>NOTE</u>	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Turnover	6	10,763	20,929
Operating charges	7	(1,132)	(2,946)
Interest payable to group undertakings		(7,192)	(14,944)
Gain on sale of mortgage loans	8	15,812	-
Amortisation of intangible assets	1	-	(504)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 18,251	<hr/> 2,535
Taxation	9	(2,916)	(837)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<hr/> 15,335	<hr/> 1,698
Dividends		(11,000)	(-)
RETAINED PROFIT FOR THE YEAR		<hr/> 4,335	<hr/> 1,698

RECONCILIATION OF SHAREHOLDERS' FUNDS AND

STATEMENT OF RETAINED PROFITS

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Balance at 1 January	(3,417)	(5,115)
Retained profit for the year	4,335	1,698
Balance at 31 December	<hr/> 918	<hr/> (3,417)

There are no recognised gains and losses other than those in the profit and loss account.

ABBAY LIFE FUNDING LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1995

1. INTANGIBLE ASSETS

Deferred revenue expenditure

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Expenses		
- brought forward	-	2,130
- deferred in the year	-	-
- fully amortised in the year	-	(2,130)
	<u>-</u>	<u>-</u>
Less: amortisation		
- brought forward	-	1,626
- during the year	-	504
- expenses fully amortised	-	(2,130)
	<u>-</u>	<u>-</u>
Net Book Value	<u>-</u>	<u>-</u>

2. AMOUNTS DUE FROM GROUP UNDERTAKINGS

This includes amounts due from Lloyds Bowmaker Finance Limited of £22,554,000 (1994 - £NIL).

3. AMOUNTS DUE TO GROUP UNDERTAKINGS

This includes amounts due to Lloyds Bowmaker Finance Limited of £NIL (1994 - £241,233,000) made available under group financing arrangements to finance the mortgages held by the Company.

4. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

The major components of deferred taxation, for which provision has been made in full, are as follows:

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Short term timing differences	<u>-</u>	<u>56</u>

The movement in deferred taxation for the year is £56,000 (See note 9).

5. CALLED UP SHARE CAPITAL

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Authorised 1000 ordinary shares at £1 each	<u>1,000</u>	<u>1,000</u>
Allotted 100 ordinary shares at £1 each fully paid	<u>100</u>	<u>100</u>

6. TURNOVER

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
Interest on mortgage loans	10,032	20,261
Other interest receivable	39	64
Other operating income	692	604
	<u>10,763</u>	<u>20,929</u>

The Company operated in one class of business in the UK only.

7. OPERATING CHARGES

Includes Auditors' remuneration of £6,463 (1994 - £11,019) for audit services and £NIL (1994 - £470) for non-audit services.

No remuneration of any nature was paid or is payable by the Company to the Directors.

8. GAIN ON SALE OF MORTGAGE LOANS

During July, the Company disposed of the majority of its first mortgage business. The net book value of the mortgage loans disposed of was £222,406,000, resulting in a profit of £15,812,000, net of disposal costs. The disposal included a transfer to a group company and no liability to tax was incurred.

9. TAXATION

	<u>1995</u> <u>£000</u>	<u>1994</u> <u>£000</u>
UK Corporation tax at 33%	(2,972)	(953)
Over provision in prior year	-	6
Movement in deferred tax provision:-		
current year	56	116
prior year	-	(6)
	<u>(2,916)</u>	<u>(837)</u>

10. HOLDING COMPANY

The Company is a wholly owned subsidiary of Lloyds Bowmaker Limited. The Company's ultimate holding company is Lloyds TSB Group plc, a company registered in Scotland.

11. GROUP ACCOUNTS

The parent for the largest group of undertakings, for which group accounts are drawn up and of which the Company is a member, is Lloyds TSB Group plc.

The parent for the smallest group of undertakings, for which group accounts are drawn up and of which the Company is a member, is Lloyds Bowmaker Finance Limited, a company registered in England.

Copies of the group accounts are available to the public from:-

Lloyds Bank Plc
71 Lombard Street
London
EC3P 3BS

Lloyds Bowmaker Finance Limited
Finance House
51 Holdenhurst Road
Bournemouth
Dorset
BH8 8EP

ABBAY LIFE FUNDING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the Company for that year. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

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 accounts comply with the Companies Act 1985. 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.

ABBEY LIFE FUNDING LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF

ABBEY LIFE FUNDING LIMITED

We have audited the accounts on pages 2 to 7 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 2.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 8 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

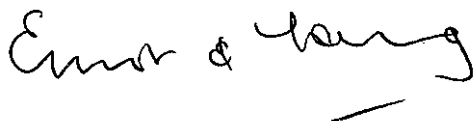
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG

CHARTERED ACCOUNTANTS

REGISTERED AUDITOR

SOUTHAMPTON

6th June 1996