

ABBAY LIFE SERVICES LIMITED

REPORT OF THE DIRECTORS

AND

FINANCIAL STATEMENTS

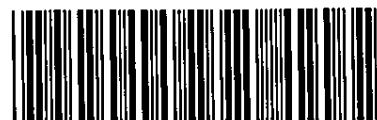
for the year ended

31 DECEMBER 2007

Company Number

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COMPANY INFORMATION

Board of Directors

M P Coxon
N C H Tomton
R S Zuberi

Secretaries

A W Bartlett
A P Rutherford

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Registered Office

Winchester House,
1 Great Winchester Street,
London,
EC2N 2DB

Registered number

2133148

DIRECTORS' REPORT

Principal activities and review of the business

The financial statements presented are in respect of Abbey Life Services Limited (the "Company"). The Company is a private company limited by shares incorporated in England & Wales.

The principal activity of the Company is the maintenance of a range of insurance products for which renewal commission is received. The Company managed a small number of loans but during the year these were assigned to another company within the Deutsche Bank AG Group.

During the year, the Company was acquired from Lloyds TSB Group Plc by Deutsche Bank AG.

Results and dividend

The result for the year ended 31 December 2007 is a profit after taxation of £29,000 (2006 profit of £28,000) and this has been transferred to reserves. The Directors do not recommend the payment of a dividend (2006: £nil).

Future outlook

The Directors consider that the Company's activities will continue unchanged in the foreseeable future.

Principal risks and uncertainties

The financial risk management objectives and policies of the Company and the exposure to credit risk, liquidity risk, market risk and interest rate risk are given in note 14 to the financial statements.

Key performance indicators

The Directors of Deutsche Bank AG manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Abbey Life Services Limited. The development, performance and position of the Global Markets division of Deutsche Bank AG, which includes the Company, is discussed in the Group's annual report which does not form part of this report.

Directors

The names of the current Directors are listed on page 2. Changes in directorship during the year end are as follows:

New Appointments

Directors

- M P Coxon 1 October 2007
- R S Zuberi 1 October 2007

Joint Secretaries

- A P Rutherford 1 October 2007
- A W Bartlett 1 October 2007

Resignations

Director

- Dr M D Green 1 October 2007

Secretary

- T C Nicholls 1 October 2007

Particulars of the Directors' emoluments and interests in shares are given in note 15 to the financial statements.

Statement of Directors' Responsibilities in respect of the Directors' Report and Financial Statement

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 elected to prepare the financial statements in accordance with IFRSs

The financial statements are required by law to 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 estimates that are reasonable and prudent,
- State whether the financial statements comply with IFRSs, 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 proper accounting records that 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 safeguarding the assets of the Company and to prevent and detect fraud and other irregularities

Auditors

Until 1 October 2007, PricewaterhouseCoopers LLP were the Company's Auditors KPMG Audit Plc were appointed Auditors on 1 October 2007 upon acquisition of the Company by Deutsche Bank AG Pursuant to section 379A of the Companies Act 1985 the Company has elected to dispense with the annual appointment of Auditors and KPMG Audit Plc will, therefore, continue in office

Disclosure of information to auditors

The Directors who held office at the date of the approval of this Directors' Report each confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the board of Directors

Name 

Date 18 SEPTEMBER 2008

Winchester House,
1 Great Winchester Street,
London,
EC2N 2DB

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF ABBEY LIFE SERVICES LIMITED

We have audited the financial statements of Abbey Life Services Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 reasonable assurance 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, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

18 September 2008

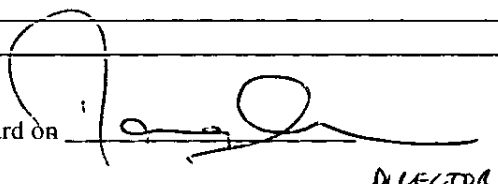
**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £000	2006 £000
Revenue		26	35
Gross profit		26	35
Distribution and selling costs	3	-	(1)
Administrative expenses	4	-	(13)
Operating profit		26	21
Interest receivable	5	64	74
Finance costs	6	(49)	(55)
Profit before tax		41	40
Taxation	7	(12)	(12)
Profit after tax		29	28

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 £000	2006 £000
ASSETS			
Non-current assets			
Financial assets			
Loans and receivables	8	-	-
Current assets			
Financial assets			
Loans and receivables	8	2	79
Cash and cash equivalents	9	806	2,238
Total assets		808	2,317
EQUITY AND LIABILITIES			
Capital and reserves attributable to the company's equity holder			
Share capital	10	-	-
Retained earnings		331	302
Total equity		331	302
Liabilities			
Current liabilities			
Financial liabilities			
Borrowings	11	472	752
Other financial liabilities	12	1	1,260
Current income tax liability	13	4	3
Total liabilities		477	2,015
Total equity and liabilities		808	2,317

Approved on behalf of the board on


DIRECTOR

18 SEPTEMBER 2008

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Profit before tax		41	40
Adjustments for			
Interest receivable		(64)	(74)
Finance costs		49	55
Net decrease in operating assets and liabilities			
(Increase)/Decrease in Loans and Other Receivables		73	221
Increase/(Decrease) in Other Financial Liabilities		(1,259)	23
Taxation paid		(11)	(14)
Net cash flows from operating activities		(1,171)	251
Cash flows from investing activities			
Interest received		19	72
Net cash flows from investing activities		19	72
Decrease in borrowing		(280)	-
Net increase/(decrease) in cash and cash equivalents		(1,432)	323
Cash and cash equivalents at the beginning of the year		2,238	1,915
Cash and cash equivalents at the end of the year	9	806	2,238

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2006	-	274	274
Net profit for the year	-	28	28
Balance at 1 January 2007	-	302	302
Net profit for the year	-	29	29
Balance at 31 December 2007	-	331	331

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

1. Basis of preparation

The financial statements have been prepared

- (1) in accordance with the standards issued by the International Accounting Standards Board and interpretations issued by its International Financial Reporting Interpretations Committee as endorsed by the European Union,
- (2) in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, and
- (3) under the historical cost convention

In preparing these financial statements, the Company has adopted IFRS7 Financial Instruments Disclosures and IAS1 Presentation of Financial Statements – Capital Disclosures. These impact the type and amount of disclosures in these financial statements, but have no impact on the reported profit or financial position of the Company.

2. Summary of significant accounting policies

The Company has identified the accounting policies that are the most significant to its business operations and the understanding of its results. The preparation of the financial statement necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, contingent or otherwise, at the balance sheet date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge of current facts as at the balance sheet date, the actual outcome may differ from those estimates.

The significant accounting policies adopted in the preparation of the financial statements are set out below.

a) Revenue and other operating income

Revenue represents income received on the distribution of a range of insurance products on which the Company receives renewal commission and is accounted for on receipts basis as it is subject to related policy contracts being renewed.

b) Interest receivable and finance costs

Interest receivable and finance costs are recognised in the income statement as they accrue.

c) Financial assets and liabilities

Loans and receivables

Loans and receivables are measured at amortised cost on an effective interest basis. Amortised cost is the amount at which the asset is measured at initial recognition, less any repayments of principal, less any reduction for impairment or inability to collect and plus or minus the cumulative amortisation of the difference between the initial amount recognised and the maturity amount. The effective interest rate is the rate that exactly discounts the cash flows associated with the loans and receivables through to maturity to the net carrying amount at initial recognition, i.e. a constant rate on the carrying amount.

Other financial liabilities

Other financial liabilities are stated at fair value, including accrued interest, reflecting the amounts payable at the year end.

Borrowings

Interest bearing borrowings represent bank overdrafts and intercompany loans which are stated at fair value, including accrued interest, reflecting the amounts payable at the year end.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously

d) Cash and cash equivalents

Cash and cash equivalents include cash at bank, highly liquid investments in a short-term cash fund and bank overdrafts

e) Impairment

The carrying value of all assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

In order to determine whether financial assets are impaired, all financial assets for which the market value has been significantly below cost price for a considerable period of time are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer-specific developments. The impairment review focuses on issuer-specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Company's long term investment strategy.

Non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

If there is objective evidence that an impairment loss has been incurred, a provision is established and is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cashflows discounted at the asset's original effective interest rate.

If there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the income statement.

f) Income taxes

Income tax on the profit or loss for the year is recognised in the income statement and comprises only current tax. No provision is required in respect of deferred tax under IAS 12 as no timing differences arise which would result in deferred tax on assets and liabilities.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date together with adjustments to tax payable in respect of prior years.

3 Distribution and selling costs

	2007 £000	2006 £000
Commissions payable	-	1
Total	-	1

4. Administrative expenses

- (a) The administration of the Company is undertaken by Abbey Life Assurance Company Limited at negligible incremental cost, and no recharge is levied from this undertaking to the Company in respect of those costs incurred on behalf of the Company (2006 £13,000)
- (b) The remuneration of the auditors for the year in respect of audit work was borne by another company in the Deutsche Bank Group. There were no fees relating to non-audit services paid to the auditors during the year (2006 £nil)

5. Interest receivable

	2007 £000	2006 £000
From		
Mortgage loans	-	2
Secured loans	2	11
Other financial assets	62	61
Total	64	74

6. Finance costs

	2007 £000	2006 £000
Interest payable to group undertakings	(49)	(55)
Total	(49)	(55)

7. Taxation

(a) Current year tax expense

	2007 £000	2006 £000
Current tax:		
UK corporation tax	12	12
Total income tax expense	12	12

(b) Reconciliation of tax charge

	2007 £000	2006 £000
Profit before tax	41	40
Total tax charge at standard rate of corporation tax in the UK (30%) (2006: 30%)	12	12

8. Loans and receivables

	2007 £000	2006 £000
Non-current assets		
Mortgage loans		
At 1 January	-	230
Redemptions	-	(162)
Transfer to current assets	-	(68)
At 31 December	-	-
Secured loans	-	-
Total non-current assets	-	-
Current assets		
Amounts due from group undertakings	-	1
Accrued interest receivable	2	6
Mortgage loans	-	72
Total current assets	2	79
Total	2	79

All loans were assigned to Abbey Life Assurance Company Limited during the year

9. Cash and cash equivalents

	2007 £000	2006 £000
Cash at bank	473	752
Investments in Scottish Widows Investment Partnership AAA Global Liquidity Fund	333	1,486
Total	806	2,238

10. Share capital

	2007 £000	2006 £000
Authorised share capital:		
1,000 ordinary shares (2006 1,000 ordinary shares) of £1 each	1	1
Allotted, called-up and fully paid share capital:		
100 ordinary share (2006 100 ordinary shares) of £1 each	-	-

11. Borrowings

	2007 £000	2006 £000
Bank overdrafts	472	752

12. Other financial liabilities

	2007 £000	2006 £000
Amounts due to group undertakings (Abbey Life Assurance Company Limited)	1	1,260
Total	1	1,260

13. Tax assets and liabilities

	2007 £000	2006 £000
Current income tax liability	4	3
Total tax liabilities	4	3

14 Risk management policies

(a) Governance framework

The company is part of the Global Markets Division of the Deutsche Bank Group. This Division has established a risk management function with clear terms of reference and with the responsibility for implementing the Deutsche Bank framework and monitoring Deutsche Bank Group-wide policies on insurance and financial risks.

The key risk policies relevant to the company are summarised below (which are subject to at least an annual review or earlier if deemed necessary by circumstances).

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk to the Company arose primarily from exposure to customer loans. Exposure to customer loans was assessed on a case by case basis, using a credit rating agency where appropriate. The Scottish Widows Investment Partnership (SWIP) Global Liquidity Fund investment of £333k is considered of very high quality with no material credit risk.

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, or from a counterparty defaulting on repayment of a contractual obligation, or from the inability to generate cash inflows as anticipated.

Liquidity risk is managed in line with the Deutsche Bank Group Liquidity Risk Policy and is not considered significant. The investment in the Scottish Widows Investment Partnership (SWIP) Global Liquidity Fund is considered a current asset (within one year) and in practice realisable in one day.

(3) Market risk

Market risk is the risk of fair value changes in the value of assets and liabilities from fluctuations in market interest rates (interest rate risk), whether such changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(4) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Company is exposed to a floating interest rate risk through the investment in the Scottish Widows Investment Partnership Global Liquidity Fund on which it expects an interest rate of 5.0% and through its bank accounts on which it expects an interest rate of 4.0% on cash at bank and 6.0% on borrowings.

15 Related party transactions

(a) Ultimate parent and shareholding

The Company's immediate parent undertaking is Deutsche Holdings No 4 Limited, a company registered in the European Union

The Company's ultimate parent company and ultimate controlling party is Deutsche Bank AG, which is incorporated in the EU and which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Deutsche Bank AG is the parent company of the smallest such group of undertakings. Copies of the Deutsche Bank Group accounts in which the Company is consolidated can be obtained from the Company Secretariat, Winchester House, 1 Great Winchester Street, London, EC2N 2DB

Until 1 October 2007 the Company's ultimate holding company was Lloyds TSB Group Plc

(b) Transactions with and balances due to/from related parties

Recharges of administration expenses have been payable to Abbey Life Assurance Company Limited. The recharge for 2007 was £nil (2006 £13,000)

The Company owes Abbey Life Assurance Company Limited £1,000 (2006 £1,260,000) in respect of an intercompany loan, with £1,259,000 being repaid in the year. Interest of £49,000 (2006 £55,000) was payable during the year. Advances of £nil (2006 £10,000) were received from Abbey Life Assurance Company Limited during the year.

Transactions with other companies within the Lloyds TSB Group until 1 October 2007

Excess cash balances are invested in the Scottish Widows Investment Partnership Global Liquidity Fund. The total amount held in this fund at 30 September 2007 was £1,623,000 (2006 £1,486,000). Interest earned up to 30 September 2007 on this investment was £62,000 (2006 £61,000) and interest due at 30 September 2007 was £7,000 (2006 £6,000).

Key management compensation

The Directors and key management consider that they have received no remuneration for their services to the Company during the year. On that basis, there are no aggregate emoluments of the Directors for the current year (2006 £nil).

Directors' interests in share capital

None of the Directors who held office during the year ended 31 December 2007 had any interest in the shares of the Company (2006 none).

There were no other material transactions with related parties for the year ended 31 December 2007.

16. Future developments

No future pronouncements will be relevant to the Company.