

TSB GENERAL INSURANCE SERVICES LIMITED

REPORT AND ACCOUNTS 1997

Registered Number: 2376164

Registered Office:

**Charlton Place
Andover
Hampshire, SP10 1RE**

Directors

D. Holt (Chairman)

P.J. Hubbard

Company Secretary

H.S. Rodgers



Member of Lloyds TSB Group plc

TSB GENERAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

Principal activity

The principal activity of the Company is to arrange general insurance underwritten by authorised insurers.

Results

The loss after taxation for the period amounted to £285,000 (14 months ended 31 December 1996: loss £3,567,000).

Directors

The names of the directors of the Company are shown on page 1.

During the year the following directors were appointed and resigned:

	Appointed	Resigned
D. Holt	12 February 1997	
P.J. Hubbard	23 May 1997	
K. Jones		1 June 1997
K.M. Moyle		15 January 1997

On 12 February 1997 Mr D. Holt was elected Chairman.

Reference is made on page 13 in note 13 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries.

Policy and practice on payment of creditors

The Company's policy is to agree terms of payment with suppliers and these normally provide for payment within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the company owed no amounts to trade creditors at 31st December 1997, the number of days required to be shown in this report, to comply with the provisions of paragraph 12(3) of part VI of schedule 7 to the Companies Act 1985, is nil.

On behalf of the board



Director

9th February 1998

REPORT OF THE AUDITORS TO THE SHAREHOLDER OF TSB GENERAL INSURANCE SERVICES LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historic cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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 of the Company for that year. 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements 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.

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 the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

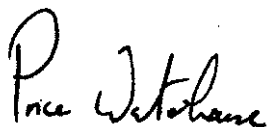
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

TSB GENERAL INSURANCE SERVICES LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDER OF TSB GENERAL
INSURANCE SERVICES LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the Company's state of affairs as at 31 December 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants & Registered Auditors
Bristol

9th February 1998

TSB GENERAL INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31 DECEMBER 1997

NOTE

	Year ended 31 December 1997 £000	14 months ended 31 December 1996 £000
1 Turnover	4,382	4,050
1 Cost of sales	(206)	(549)
Gross profit	4,176	3,501
3 Net operating expenses	(3,751)	(6,684)
Operating profit / (loss)	425	(3,183)
(Expense) received from shares in subsidiary undertakings	-	(931)
4 Interest receivable and similar income	-	17
5 Interest payable and similar charges	(809)	(775)
Loss on ordinary activities before taxation	(384)	(4,872)
6 Taxation on loss on ordinary activities	99	1,305
Loss on ordinary activities after taxation being loss for the financial period	(285)	(3,567)
Loss brought forward	(5,050)	(1,483)
Loss carried forward	(5,335)	(5,050)

All the amounts above are in respect of continuing operations.

The above results represent the Company's total recognised gains and losses in both financial periods. The notes on pages 7 to 14 form part of these financial statements.

TSB GENERAL INSURANCE SERVICES LIMITED

BALANCE SHEET

31 DECEMBER 1997

NOTE	31 December 1997 £000	31 December 1996 £000
	Current assets	
7	Debtors	21,002 13,104
8	Deferred taxation	- 229
	21,002	13,333
9	Creditors: amounts falling due within one year	(25,718) (17,855)
	Net current liabilities	(4,716) (4,522)
10	Provision for liabilities and charges	(506) (528)
8	Deferred taxation	(113) -
	Net liabilities	(5,335) (5,050)
	Capital and reserves	
11	Called up share capital	- -
	Profit and loss account	(5,335) (5,050)
12	Shareholder's funds	(5,335) (5,050)

The notes on page 7 to 14 form part of these financial statements.



Director

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of accounting

At 31 December 1997 the Company had a deficiency of shareholder funds of £5,335,000 (1996: Loss £5,050,000). The accounts have been prepared on a going concern basis under the historical cost convention as the directors are satisfied that the support available from the holding company is sufficient to enable the Company to meet its liabilities as they fall due. The accounts have been prepared in accordance with applicable accounting standards.

The company is exempt 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 ultimate parent undertaking. In addition advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with entities that are part of the Lloyds TSB Group plc or investees of the Lloyds TSB Group plc.

Turnover

Turnover which all arises in the United Kingdom comprises commissions receivable from general insurance activities.

Cost of sales

Cost of sales principally comprises commission payable which is accounted for when the related commission receivable is recognised.

Deferred taxation

Taxation deferred or accelerated by reason of timing differences between financial and taxable profit is accounted for to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

NOTES TO THE ACCOUNTS (continued)

2. Directors' emoluments

The aggregate emoluments of the directors were £38,274 (14 months ended 31 December 1996: £120,146).

Retirement benefits are accruing to 2 directors (14 months ended 31 December 1996: 2) under defined benefit pension schemes.

The number of directors who exercised share options was 2 (14 months ended 31 December 1996: none).

3. Net operating expenses

Net operating expenses for the year ended 31 December 1997, comprise amounts recharged from the immediate holding company, Lloyds TSB General Insurance Holdings Limited. The Company does not directly employ any staff. Auditors' remuneration of £11,750 for audit work (14 months ended 31 December 1996: £5,000) is included in net operating expenses.

	Year ended 31 December 1997	14 months ended 31 December 1996
	Total £000	Total £000
Cost of sales	206	549

NOTES TO THE ACCOUNTS (continued)**3. Net operating expenses** (continued)

	Year ended 31 December 1997	14 months ended 31 December 1996
	Total £000	Total £000
Net operating expenses		
Distribution costs	-	416
Administrative expenses	3,751	6,268
	<u>3,751</u>	<u>6,684</u>

Administrative expenses recharged from other group companies are initially invoiced to TSB General Insurance Services Limited and subsequently recharged by the Company to Lloyds TSB General Insurance Limited. The net amount of expenses relating to the Company is included in the profit and loss account. The total amount payable to TSB Bank plc by the company in relation to these expenses and the amount receivable from Lloyds TSB General Insurance Limited are included in creditors and debtors.

4. Interest receivable and similar income

Interest receivable includes £nil (14 months ended 31 December 1996:£17,000) from fellow subsidiary undertakings.

5. Interest payable and similar charges

Interest payable includes £624,000 (14 months ended 31 December 1996:£775,000) payable to fellow subsidiary undertakings on bank overdrafts repayable within five years.

NOTES TO THE ACCOUNTS (continued)

6. Taxation

	Year ended 31 December 1997 £000	14 months ended 31 December 1996 £000
Taxation charge comprises:		
Corporation tax at 31.5 % (1996: 33 %) receivable on loss in the period	441	1,186
Deferred taxation	(340)	112
Prior year item - deferred taxation	(2)	7
	99	1,305

7. Debtors

	31 December 1997 £000	31 December 1996 £000
Trade debtors	5,191	11,275
Amounts owed by other subsidiary undertakings	14,867	-
Prepayments	470	610
Corporation taxation	442	1,186
Other debtors	32	33
	21,002	13,104

NOTES TO THE ACCOUNTS (continued)

8. Deferred taxation

	Balance at 1 January 1997	(Charge)/ credit to the profit and loss account	Balance at 31 December 1997
	£000	£000	£000
Maintenance costs	173	(15)	158
Accelerated capital allowances	56	(9)	47
Pension Credit	-	(318)	(318)
Total	229	(342)	(113)

9. Creditors : amounts falling due within one year

	31 December 1997 £000	31 December 1996 £000
Amounts falling due within one year:		
Bank overdraft	2,097	7,507
Amounts owing to holding company	23	105
Amounts owing to fellow subsidiary undertakings	10,702	5,090
Accruals and deferred income	12,896	5,153
	25,718	17,855

The overdraft is placed at commercial rates of interest with TSB Bank plc, a subsidiary undertaking of Lloyds TSB Group plc.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

10. Provisions for liabilities and charges

	Maintenance costs £000	Total £000
Balance at 1 January 1997	528	528
Charge to profit and loss account	(22)	(22)
Balance at 31 December 1997	506	506

11. Called up share capital

	31 December 1997 £	31 December 1996 £
Authorised		
Ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

The Company regarded by the directors as the immediate holding company is Lloyds TSB General Insurance Holdings Limited.

The Company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of the group accounts may be obtained from the Company Secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London, EC3P 3BS.

NOTES TO THE ACCOUNTS (continued)

12. Reconciliation of movement in shareholder's funds

	Year ended 31 December 1997 £000	14 months ended 31 December 1996 £000
Loss for the financial period	(285)	(3,567)
Opening shareholder's funds	(5,050)	(1,483)
Closing shareholder's funds	(5,335)	(5,050)

13. Directors' interests

The interests of Mr Hubbard, the only director who was not also a director of Lloyds TSB Financial Services Holdings plc, in the capital of Lloyds TSB Group plc were:

Ordinary shares of 25p each:

	At 31 December 1997	At 1 January 1997
P.J. Hubbard	10,342*	13,232

Options to acquire ordinary shares of 25p each:

	At 1 January 1997	Granted during the period	Exercised during the period	At 31 December 1997
P.J. Hubbard	8,774	927	-	9,701

* Of these, 1,731 shares were issued to Mr Hubbard upon the exercise of 2,020 options held in Lloyds Abbey Life plc (renamed Lloyds TSB Financial Services Holdings plc) under the terms of the scheme of arrangement by which that company became a wholly owned subsidiary of Lloyds TSB Group plc (407 options lapsed).

In addition, P.J. Hubbard had an interest in the loan capital of Lloyds TSB Group plc as the holder of £5,962 of loan notes issued under the terms of the above scheme of arrangement.

NOTES TO THE ACCOUNTS (continued)

15. Date of approval

The directors approved the accounts on 9th February 1998.