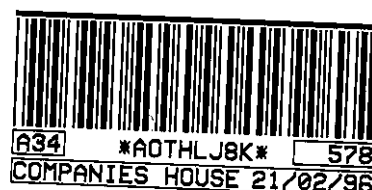


TSB GENERAL INSURANCE SERVICES LIMITED REPORT AND ACCOUNTS 1995

CONTENTS

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	Page
Directors' report	3-5
Statement of directors responsibilities	6
Auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the accounts	10-18



DIRECTORS' REPORT

Directors: K Jones
LHW March
KM Moyle

Secretary: J Earl

Registered Office: Charlton Place
Andover
Hampshire
SP10 1RE

The directors present their report and the audited accounts of the Company for the year ended 31 October 1995.

Principal activity

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

Results

The results for the year are shown in the profit and loss account on page 8.

The directors do not recommend the payment of a dividend for the year (1994 £Nil).

Directors

The directors listed above were directors of the Company throughout the year.

DIRECTORS' REPORT (Continued)

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 undertaking, TSB Group plc, are shown below:

	At 31 October 1995		At 1 November 1994 (or date of appointment if later)	
	Shares	Shares under option	Shares	Shares under option
K Jones	5,243	4,948	4,400	0
LHW March	14,172	143,398	14,077	109,893
KM Moyle	6,943	151,125	5,158	133,600

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

None of the directors listed above exercised options over shares during the year, and any net changes in options shown above arose as a result of the grant of options during the year.

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

DIRECTORS' REPORT (Continued)

Directors' and officers' liability insurance

TSB Group plc maintains directors' and officers' liability insurance in respect of all its subsidiary undertakings.

Auditors

On the 6th February 1995 our auditors changed the name under which they practice to KPMG and accordingly have signed their reports in their new name.

Pursuant to Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. The auditors, KPMG, will therefore continue in office.

By order of the board



J Earl
Secretary

20 December 1995

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 year 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 year and of the profit or loss for the financial year. 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 8 to 9 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:

- ◆ that the Company has maintained proper accounting records;
- ◆ that the accounts are in agreement with the accounting records;
- ◆ that directors' emoluments and other transactions are properly disclosed in the accounts; and
- ◆ 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 3 to 5. 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.



Marlborough House
Fitzalan Court
Fitzalan Road
CARDIFF CF2 1TE

Auditors' report to the members of TSB General Insurance Services Limited

We have audited the financial statements on pages 8 to 18.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of 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 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 of the state of the company's affairs as at 31 October 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

20 December 1995

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31 OCTOBER 1995

NOTE		1995	1995	1994	1994
		£000	£000	£000	£000
1	Turnover				
	Continuing operations	2,134		3,355	
	Acquisitions	-		163	
		<u>2,134</u>		<u>3,518</u>	
	Discontinued operations	581		-	
			2,715		3,518
1	Cost of sales		(812)		(2,469)
	Gross profit		1,903		1,049
3	Net operating expenses		(6,449)		(849)
	Operating profit				
	Continuing operations	(4,688)		84	
	Acquisitions	-		116	
		<u>(4,688)</u>		<u>200</u>	
	Discontinued operations	142		-	
			(4,546)		200
	Income received from shares in subsidiaries		54		-
4	Interest receivable and similar income		59		145
5	Interest payable and similar charges		(159)		-
	(Loss)/Profit on ordinary activities before taxation		(4,592)		345
6	Tax on profit on ordinary activities		1,532		(121)
	(Loss)/Profit on ordinary activities after taxation being profit for the financial year		(3,060)		224
	Profit brought forward		1,577		1,353
	(Loss)/Profit carried forward		(1,483)		1,577

The above results represent the Company's total recognised gains and losses in both financial years. The notes on pages 10 to 18 form part of these accounts.

TSB GENERAL INSURANCE SERVICES LIMITED REPORT AND ACCOUNTS 1995

BALANCE SHEET

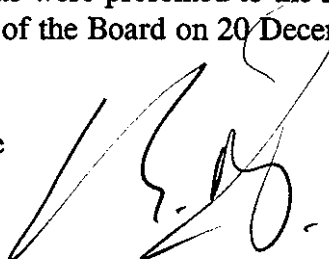
31 OCTOBER 1995

NOTE		1995 £000	1994 £000
	Fixed Assets		
7	Investments	1	1
	Current Assets		
8	Debtors	14,275	3,861
9	Deferred taxation	109	58
10	Cash at bank and short term funds	0	2,499
		14,384	6,418
11	Creditors: amounts falling due within one year	(15,572)	(4,660)
	Net current assets/(liabilities)	(1,188)	1,758
	Total assets less current liabilities	(1,187)	1,759
12	Provision for liabilities and charges	(296)	(182)
	Net assets	(1,483)	1,577
	Capital and Reserves		
13	Called up share capital	-	-
	Profit and loss account	(1,483)	1,577
14	Shareholders' funds	(1,483)	1,577

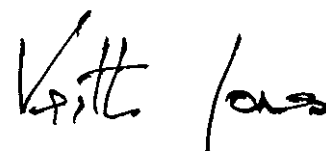
The notes on page 10 to 18 form part of these accounts.

The accounts were presented to the Board on 15 December 1995 and were approved by a Committee of the Board on 20 December 1995.

K M Moyle



K Jones



NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 1

Accounting policies

Basis of accounting

At 31 October 1995 the Company had a deficiency of shareholder funds of £1,483,000 (1994: Profit £1,577,000). The TSB Trust Company Limited has confirmed its policy as being one of continued support. On the strength of this assurance, these accounts have been prepared on a going concern basis under the historical cost convention. The accounts have been prepared in accordance with applicable accounting standards.

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.

Investment income

Income received from investments in subsidiaries is accounted for in the period during which it becomes receivable. Income received under deduction of tax is brought into account after taking credit for such tax.

Deferred taxation

Tax 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.

Cashflow statements

The ultimate parent, TSB Group plc, has adopted Financial Reporting Standard number 1, thus exempting the Company from the requirement to prepare a cashflow statement.

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 1 (cont)

Investment valuation

Investments in subsidiaries are stated in the balance sheet at cost.

NOTE 2

Directors' emoluments

The total charge for management services for the year, included in administrative expenses was £60,826 (1994:£8,773) of which £60,826 (1994:£8,773) relates to emoluments of directors.

This amount is analysed as follows:

	1995 £	1994 £
Emolument as directors of this Company	60,826	8,773
Total emoluments	60,826	8,773

The emoluments of the highest paid director, excluding pension contributions, were £41,788 (1994:£6,622).

The number of directors whose emoluments excluding pension contributions, fell within the following bands, were:

	1995	1994
£0 - £ 5,000	1	2
£5,001 - £ 10,000	-	1
£15,001 - £ 20,000	1	-
£40,001 - £ 45,000	1	-

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 3

Net operating expenses

Net operating expenses for the year ending 31 October 1995, comprise amounts recharged from the immediate holding company, TSB Trust Company Ltd. The Company does not directly employ any staff. Auditors' remuneration of £12,000 for audit work (1994:£4,000) is included in net operating expenses.

	1995			1994		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Cost of Sales	373	439	812	2,469	-	2,469
Net operating expenses						
Distribution costs	344	-	344	101	-	101
Administrative expenses	6,105	-	6,105	748	-	748
	6,449	-	6,449	849	-	849

NOTE 4

Interest receivable and similar income

Interest receivable includes £59,000 (1994:£145,000) from Group Companies.

NOTE 5

Interest payable and similar charges

Interest payable includes £159,000 (1994:£nil) payable to Group Companies on bank overdrafts repayable within five years.

TSB GENERAL INSURANCE SERVICES LIMITED REPORT AND ACCOUNTS 1995

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 6
Taxation

	1995 £000	1994 £000
Taxation charge comprises:		
Corporation tax at 33 % (1994:33 %) payable on loss/profit in the period	1,473	(132)
Deferred taxation	54	13
Prior year item - deferred tax	-	44
Prior year item - corporation tax	5	(46)
	<u>1,532</u>	<u>(121)</u>

NOTE 7
Investments

	1995 £000	1994 £000
Shares in subsidiaries	<u>1</u>	<u>1</u>

TSB GENERAL INSURANCE SERVICES LIMITED REPORT AND ACCOUNTS 1995

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 8

Debtors

	1995 £000	1994 £000
Trade debtors	9,864	2,596
Amounts owed by fellow subsidiaries	2,748	931
Prepayments	25	45
Corporation Tax	1,473	-
Other debtors	165	289
	<u>14,275</u>	<u>3,861</u>

NOTE 9

Deferred taxation

	Balance at 1 November 1994 £000	(Charge)/ credit to the profit and loss account £000	Tax difference written off £000	Balance at 31 October 1995 £000
Claims handling provision	44	(44)		-
Maintenance costs	15	85	(3)	97
Accelerated capital allowances	(1)	13		12
Total	<u>58</u>	<u>54</u>	<u>(3)</u>	<u>109</u>

TSB GENERAL INSURANCE SERVICES LIMITED REPORT AND ACCOUNTS 1995

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 10

Cash at bank

Cash at bank is placed at commercial rates of interest with TSB Bank plc, a fellow subsidiary of TSB Group plc.

NOTE 11

Creditors

	1995 £000	1994 £000
Amounts falling due within one year:		
Bank overdraft	4,836	28
Trade creditors	3,935	2,583
Amounts owing to holding company	103	103
Amounts owing to fellow subsidiaries	454	612
Accruals and deferred income	6,243	1,176
Corporation tax	-	132
Other creditors	1	26
	<u>15,572</u>	<u>4,660</u>

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 12

Provisions for
liabilities and
charges

	Maintenance costs £000	Claims handling costs £000	Total £000
Balance at 1 November 1994	47	135	182
Charge to profit and loss account	249	(135)	114
Balance at 31 October 1995	296	-	296

NOTE 13

Called up share capital

	1995 £	1994 £
Authorised		
Ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 14

Reconciliation of movement in shareholders' funds

	1995 £000	1994 £000
Profit/(Loss) for the financial year	(3,060)	224
Opening shareholder's funds	1,577	1,353
Closing shareholder's funds	(1,483)	1,577

NOTE 15

Capital commitments

There were no capital commitments at 31 October 1995.
(31 October 1994:£nil).

NOTE 16

Subsidiaries

The following companies all of which are incorporated and registered in England and Wales were wholly owned subsidiaries at 31 October 1995.

TSB Insurance Services Limited

TSB Motor Insurance Services Limited

TSB Health Insurance Services Limited

The principal activity of these subsidiaries is arranging general insurance underwritten by authorised insurers.

Under Section 228 of the Companies Act 1985 group accounts are not required as the Company is itself a wholly owned subsidiary of another company incorporated in Great Britain. These financial statements therefore present information about the undertaking as an individual undertaking and not about the group.

NOTES TO THE ACCOUNTS

31 OCTOBER 1995

NOTE 17

Ultimate parent undertaking The Company's ultimate parent undertaking is TSB Group plc, which is registered in Scotland.

The parent undertaking of the largest group of companies for which group accounts are prepared is TSB Group plc. The parent undertaking of the smallest such group is TSB Trust Company Limited, a company registered in England and Wales. Copies of the consolidated accounts of those companies may be obtained from the Secretary, TSB Group plc, 60 Lombard Street, London EC3V 9DN.