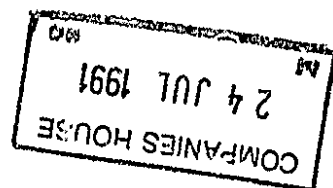


No. 32491

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED
DIRECTORS' REPORT AND ACCOUNTS FOR THE
YEAR ENDED 31ST DECEMBER 1990



THE SECRETARY,
THE LOCAL GOVERNMENT GUARANTEE
SOCIETY LIMITED,
ROYAL EXCHANGE,
LONDON, EC3V 3LS

SEC/MBSG

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED

REGISTERED OFFICE: Royal Exchange, London EC3V 3LS

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at the Royal Exchange, London, EC3V 3LS on Thursday, 16th May 1991 at 1.15 p.m. for the following purposes:-

To receive the report of the Directors and the accounts for the year ended 31st December 1990.

Ordinary Resolution

To consider, and if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution of which Special Notice has been duly received by the Company in accordance with Section 391A of the Companies Act 1985:-

"To appoint Price Waterhouse as auditors of the Company in place of the retiring auditors, Coopers & Lybrand Deloitte and to authorise the Directors to fix their remuneration."

Elective Resolution

To consider, and if thought fit, pass the following resolution which will be proposed as an Elective Resolution:-

"It is hereby unanimously resolved as an elective resolution in accordance with Section 379A of the Companies Act 1985 ('the Act'):

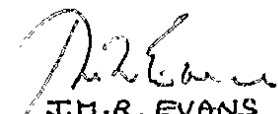
THAT -

(A) The provisions of Section 80A of the Act shall apply, instead of the provisions of Section 80(4) and (5) of the Act, in relation to the giving or renewal, after the passing of this resolution, of an authority under the said Section 80.

(B) The Company hereby elects:

- (i) pursuant to Section 252 of the Act, to dispense with the laying of accounts before the Company in general meeting;
- (ii) pursuant to Section 366A of the Act, to dispense with the holding of annual general meetings;
- (iii) pursuant to Section 386 of the Act, to dispense with the obligation to appoint auditors annually; and
- (iv) pursuant to Sections 369(4) and 378(3) of the Act, that the provisions of those Sections shall have effect in relation to the Company as if for the references to 95 per cent in those provisions there were substituted references to be not less than 90 per cent."

By order of the Board,


J.M.R. EVANS
Secretary
10th April 1991

A member entitled to attend and vote is entitled to appoint a proxy, who need not himself be a member, to attend and vote in his stead.

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED

DIRECTORS

J.T. McDonough (Chairman and Managing Director)
D.F. Cooper, M.A.
J.M.R. Evans, F.C.A.
B.R. King, F.C.A.

SECRETARY J.M.R. Evans, F.C.A.

AUDITORS Coopers & Lybrand Deloitte

REPORT OF THE DIRECTORS
for the year ended 31st December 1990

The Directors present their report and the accounts of the Company for the year ended 31st December 1990.

REVIEW OF ACTIVITIES

There was no change during the year in the principal activity of the Company, which consisted of the writing of short-term insurance business. This business has been reinsured with the immediate parent company, Guardian Royal Exchange Assurance plc, and certain fellow subsidiary undertakings and the performance of short-term insurance contracts issued by the Company is guaranteed by Guardian Royal Exchange Assurance plc.

RESERVE

The movement on reserve is set out in note 6 on page 6.

DIRECTORS

The names of the Directors of the Company at the date of this report appear above.

Mr. S.A. Hopkins resigned from the Board of Directors on 24th May 1990. Mr. J. Sinclair was appointed a Director of the Company with effect from 24th May 1990. Mr. J. Sinclair was elected Chairman of the Board with effect from 24th May 1990. Mr. J. Sinclair resigned from the Board of Directors on 16th January 1991. Mr. J.T. McDonough was appointed a Director of the Company with effect from 16th January 1991. Mr. J.T. McDonough was elected Chairman of the Board with effect from 16th January 1991. Mr. J.T. McDonough was appointed Managing Director of the Company with effect from 11th February 1991.

DIRECTORS' INTERESTS

According to the register kept under section 325 of the Companies Act 1985, the interests of Directors in the share capital and debentures of the ultimate parent company, Guardian Royal Exchange plc, and its subsidiary undertakings at 31st December 1990 and 1st January 1990 (or at date of appointment if later) are as set out on page 4.

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED

DIRECTORS' INTERESTS cont...

	<u>At 31st December 1990</u>	<u>At 1st January 1990</u>
D.F. Cooper	25,093*	14,946*
J.M.R. Evans	12,365*	4,050*
B.R. King	17,183*	11,571*

*Ordinary shares held in Guardian Royal Exchange plc.

	<u>At 1st January 1990</u> <u>options to subscribe</u> <u>for ordinary shares</u>	<u>During year</u> <u>options</u> <u>granted</u>	<u>options</u> <u>exercised</u>	<u>At 31st December 1990</u> <u>options to subscribe</u> <u>for ordinary shares</u>
D.F. Cooper	143,582	Nil	8,385	135,197
J.M.R. Evans	143,582	Nil	8,385	135,197
B.R. King	140,082	3,500	8,385	135,197

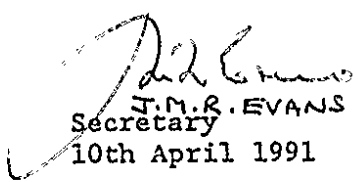
As permitted by Statutory Instrument the register does not include the interests of the following Director.

J. Sinclair -) Reported by Guardian Royal Exchange plc.
(appointed: 24.5.90))

AUDITORS

Coopers & Lybrand Deloitte are to retire as auditors of the Company and have indicated that there are no circumstances connected with their retirement which they consider should be brought to the notice of the members and creditors of the Company. Special notice having been received a resolution to appoint Price Waterhouse as auditors and authorise the Director to fix their remuneration will be proposed at the Annual General Meeting.

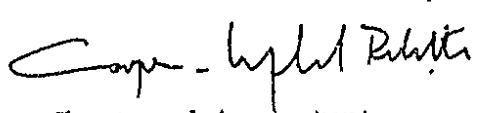
By order of the Board,


J.M.R. EVANS
Secretary
10th April 1991

REPORT OF THE AUDITORS
to the members of The Local Government Guarantee Society Limited

We have audited the balance sheet and notes on pages 5 to 7 in accordance with Auditing Standards.

In our opinion the balance sheet and notes have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

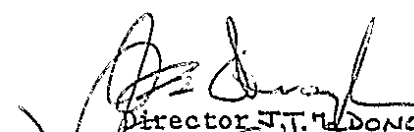
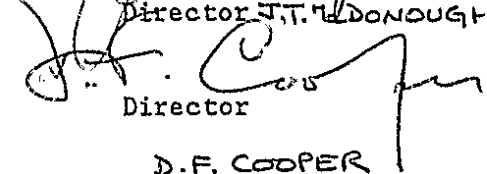

Chartered Accountants
London, 10th April 1991

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED

BALANCE SHEET

as at 31st December 1990

	<u>Note</u>	1990 £'000	1989 £'000
ASSETS			
Investments	3,4	661	368
Less: LIABILITY			
Amount due to immediate parent company		382	85
NET ASSETS		<u>279</u>	<u>283</u>
Representing:			
Share capital	5	100	100
Reserve	6	<u>179</u>	<u>183</u>
SHAREHOLDERS' FUNDS		<u>279</u>	<u>283</u>


Director J.T. McDONOUGH

Director
D.F. COOPER

London, 10th April 1991

The notes on pages 6 and 7 form part of these accounts.
Auditors' report page 4.

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED

NOTES ON THE ACCOUNTS

ACCOUNTING POLICIES

1. Companies Act 1985

As permitted by the Companies Act 1985, the accounts are prepared in accordance with the requirements of Chapter II of Part VII of that Act.

2. Exchange

Currencies of territories other than the United Kingdom are translated to sterling at the rates ruling on 31st December.

3. Valuation of investments

Stock exchange and other marketable securities are stated at market value. The unrealised surplus over book value arising from the values attributed to investments is included in revaluation reserve (Note 6).

OTHER NOTES

4.	<u>Investments</u>	1990 £'000	1989 £'000		
	Ordinary stocks and shares	661 <u> </u>	368 <u> </u>		
5.	<u>Share capital</u>	1990	1989		
		Authorised £'000	Called up £'000	Authorised £'000	Called up £'000
	20,000 ordinary shares of £5 each fully paid	100 <u> </u>	100 <u> </u>	100 <u> </u>	100 <u> </u>
6.	<u>Reserve</u>	1990 £'000	1989 £'000		
	Revaluation reserve:-				
	At 1st January	183	163		
	Movement during the year	(4)	20		
	At 31st December	<u>179</u>	<u>183</u>		

7. General

All the business of the Company has been reinsured with the immediate parent company and certain fellow subsidiary undertakings. All the investment income and the assets, with the exception of those shown in the balance sheet, have been transferred to these companies in satisfaction of the Company's liabilities.

THE LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED

8. Parent companies

The Directors of the Company regard Guardian Royal Exchange plc, incorporated in England, as being the ultimate parent company and also the parent company of the largest group of which the Company is a member for which group accounts are prepared.

The Directors of the Company regard the parent company of the smallest group of which the Company is a member for which group accounts are prepared as being Guardian Royal Exchange Assurance plc, incorporated in England.

9. Directors' emoluments

The Directors have received no remuneration or other emoluments for the year (1989 - Nil).

10. Auditors' remuneration

The remuneration of the Auditors amounted to £650 (1989 - £500) and was borne by the immediate parent company.

11. Contingent liabilities

With the approval of the Department of Trade and Industry, the Company, its immediate parent company and certain of its fellow subsidiary undertakings have entered into a mutual guarantee whereby each company guarantees payment of all liabilities incurred by the others in respect of short-term business.

There is a contingent liability for taxation which would be payable if the investments were sold at the values at which they appear in the balance sheet. To provide a figure with a reasonable degree of accuracy is a complex process having regard to the disposition of investments and other prevailing features. As the contingency is considered to be remote no quantification of the potential taxation liability has been made.