

LLOYDS TSB LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2001



Member of Lloyds TSB Group

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

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Lloyds TSB Life Assurance Company Limited
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Company Information

Board of Directors

I D Thompson
M R Poulding
M L Sykes

Secretary

A F Fletcher

Reporting Actuary

M R Poulding

Auditors

PricewaterhouseCoopers
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Registered Office

71 Lombard Street
London
EC3P 3BS

Company Registration Number

1132760

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Directors' Report

Principal Activity and Review of Business

The principal activity of Lloyds TSB Life Assurance Company Limited ("the Company") is to transact ordinary long term life assurance, pension business and permanent health insurance.

With effect from 6 March 2000, the Company no longer sold its principal long term life assurance or pension business products.

Results and Dividend

The result for the year ended 31 December 2001 is a profit of £88,514,000 (2000 : profit £170,840,000) and this has been transferred to reserves. The Directors do not recommend the payment of any dividend for the period.

Directors

The names of the current Directors are listed on page 2. Particulars of the Directors' emoluments and interests in shares are given in note 7 to the accounts.

On behalf of the Board of Directors



A Simmons
Assistant Company Secretary

7 February 2002

Lloyds TSB Life Assurance Company Limited
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Report of the Independent Auditors
To the Members of Lloyds TSB Life Assurance Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and related notes which have been prepared under the accounting policies set out on pages 10 to 13.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 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 as at the end of the year and of the profit or loss 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; 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 accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, and the Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom 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 transactions is not disclosed.

We read the Directors' Report contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Lloyds TSB Life Assurance Company Limited
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Report of the Independent Auditors (continued)

To the Members of Lloyds TSB Life Assurance Company Limited

Basis of audit 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 at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
7 February 2002

Lloyds TSB Life Assurance Company Limited
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Technical Account – long term business

	Notes	2001 £000	2000 £000
Earned premiums, net of reinsurance			
Gross premiums written	3(a)	549,145	699,590
Outward reinsurance premiums		(9,369)	(12,199)
Investment income	4(a)	430,900	1,063,012
		<u>970,676</u>	<u>1,750,403</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,449,281)	(1,505,805)
Less: reinsurers' share		6,519	14,032
Change in the provision for claims		(8,083)	7,947
		<u>(1,450,845)</u>	<u>(1,483,826)</u>
Change in other technical provisions net of reinsurance			
Long term business provision, net of reinsurance			
Gross amount		154,058	127,216
Less: reinsurers' share		(14,718)	(1,936)
		<u>139,340</u>	<u>125,280</u>
Other technical provisions, net of reinsurance			
- Technical provisions for linked liabilities		1,902,506	1,368,519
		<u>2,041,846</u>	<u>1,493,799</u>
Net operating expenses	5	(127,548)	(90,830)
Investment expenses and charges	4(a)	(58,481)	(116,430)
Unrealised losses on investments	4(a)	(1,273,857)	(1,310,282)
Tax attributable to the long term business	8	(25,359)	(79,612)
Transfer from the fund for future appropriations		2,558	1,364
		<u>(1,482,687)</u>	<u>(1,595,790)</u>
Balance on the Technical Account – long term business		<u>78,990</u>	<u>164,586</u>

All recognised gains and losses (realised and unrealised) are dealt with in the Technical Account.

The notes on pages 10 to 24 form an integral part of these accounts.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Non-Technical Account			
	Notes	2001 £000	2000 £000
Balance on long term business technical account		78,990	164,586
Tax credit attributable to balance on the long term business technical account	8	<u>33,853</u>	<u>70,537</u>
Shareholder's pre tax profit from long term business		112,843	235,123
Investment income	4(b)	13,605	8,934
Profit on ordinary activities before taxation	6	<u>126,448</u>	<u>244,057</u>
Taxation on profit on ordinary activities	8	(37,934)	(73,217)
Retained profit for the financial period		<u><u>88,514</u></u>	<u><u>170,840</u></u>

All recognised gains and losses relevant to the Non-technical Account are dealt with above and all operations are continuing.

The notes on pages 10 to 24 form an integral part of these accounts.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Balance Sheet

	Notes	2001 £000	2000 £000
ASSETS			
Investments			
Land and buildings	9(a)	230	230
Other financial investments	9(b)	1,434,706	1,903,548
		<u>1,434,936</u>	<u>1,903,778</u>
Assets held to cover linked liabilities	10	<u>7,828,820</u>	<u>9,731,326</u>
Reinsurers' share of technical provisions			
Long term business provision	16(b)	12,657	27,375
Claims outstanding	16(b)	-	1,883
Technical provisions for linked liabilities	16(b)	19,610	20,651
		<u>32,267</u>	<u>49,909</u>
Debtors			
Debtors arising out of direct insurance operations		14,694	10,803
Other debtors	11	248,109	18,378
		<u>262,803</u>	<u>29,181</u>
Other assets			
Tangible assets	12	13,789	17,526
Cash at bank and in hand		113,777	-
Prepayments and accrued income			
Accrued interest and rent		40,341	61,599
Deferred acquisition costs		17,580	88,704
Other prepayments and accrued income		-	383
		<u>57,921</u>	<u>150,686</u>
TOTAL ASSETS		<u><u>9,744,313</u></u>	<u><u>11,882,406</u></u>

The notes on pages 10 to 24 form an integral part of these accounts.

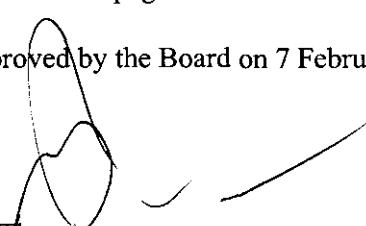
Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Balance Sheet

	Notes	2001 £000	2000 £000
LIABILITIES			
Capital and reserves			
Called-up share capital	13	16,000	16,000
Other reserves	14	44,000	44,000
Profit and loss account	14	538,481	449,967
Equity shareholders' funds	15	598,481	509,967
Fund for future appropriations		5,129	7,687
Technical Provisions			
Long term business provision	16(a)/17	1,166,268	1,320,326
Claims outstanding	16(a)	66,683	60,483
Technical provisions for linked liabilities	16(a)	7,848,430	9,751,977
Provisions for other risks and charges	18	5,690	27,027
Creditors			
Other creditors including taxation and social security	19	53,632	204,939
TOTAL LIABILITIES		9,744,313	11,882,406

The notes on pages 10 to 24 form an integral part of these accounts.

Approved by the Board on 7 February 2002


I D Thompson
Director

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared in accordance with section 255 and Schedule 9A of the Companies Act 1985 which covers the disclosures applicable to insurance companies. The accounts are prepared in accordance with the Association of British Insurers' Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued in December 1998.

The accounts have been prepared in accordance with applicable accounting standards. Compliance with Statement of Standard Accounting Practice 19 "Accounting for Investment Properties" ("SSAP 19") requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the accounting policy note relating to investments below.

2. Accounting policies

a) Financial Reporting Standard 18 "Accounting Policies"

During the year the Company has adopted Financial Reporting Standard 18 "Accounting Policies"; the effect has not been significant.

b) Premiums

Premiums earned are accounted for in the year in which they fall due. In classifying new business premiums DSS rebates are classified as new single premiums.

c) Investment income

Investment income is included on an accruals basis. UK dividend income is stated at net amount received.

d) Realised gains and losses on investments

Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original costs.

e) Unrealised gains and losses on investments

Unrealised gains and losses on investments are calculated as the difference between the carrying valuation of investments at the Balance Sheet date and the original cost. Movements in unrealised gains and losses on investments arising in the year are shown in the Technical Account.

f) Claims incurred

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Claims payable include direct costs of settlement. Reinsurance recoveries are accounted for in the same period as their related claims.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

g) Deferred acquisition costs

The costs of acquiring new insurance contracts which are incurred during a financial period but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Such costs are disclosed as an asset in the Balance Sheet and are determined explicitly. The rate of change of the deferred acquisition cost asset is consistent with a prudent assessment of the expected pattern of receipt of the future revenue margins over the period the relevant contracts are expected to remain in force.

h) Fixed Assets

Expenditure on fixtures and fittings and computer equipment is capitalised and depreciated by equal annual instalments over the expected useful lives of the relevant assets, having regard to expected residual values.

The periods generally applicable are:

- Fixtures and fittings 10 - 15 years
- Office equipment 5 years
- Computer equipment 6 years

i) Tax

Tax is charged on all taxable profits arising for the accounting period. Deferred taxation is calculated using the liability method but is provided only where the amount is likely to become payable on the foreseeable future. The taxation charge in the Non-technical Account is based on the taxable profit for the year. In the long term business Technical Account, the taxation charge is based on a method of assessing taxation for the long term fund. Any part of the balance on the long term business Technical Account that is computed on an after tax basis is grossed up at the effective rate of taxation in the Non-technical Account.

j) Long term reinsurance contracts

Long term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as insurance contracts.

Lloyds TSB Life Assurance Company Limited
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Notes to the Accounts (continued)

k) Valuation of investments

Investments are stated at current value at the Balance Sheet date, calculated as follows:

- Freehold and leasehold properties are individually valued by external qualified surveyors on the basis of open market value, account being taken of the cost of disposal. The valuation is carried out on an annual basis. Under the Companies Act 1985, land and buildings are required to be depreciated over their expected useful economic lives. In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19, that no depreciation should be provided in respect of such investments. The Directors consider that to depreciate investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted. Depreciation is only one of the factors reflected in the annual valuations and the amounts which might otherwise have been shown cannot reasonably be separately identified and quantified.
- Listed securities are stated at middle market value;
- Unit trust units are stated at bid value;
- Short-term deposits are included at cost;
- Financial futures and option contracts are valued at market rates ruling at the Balance Sheet date and the gain or loss on these contracts is brought into the Technical Account;
- Other investments are stated at Directors' valuation having prudent regard to the likely realisable value.

l) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Revenue transactions and those relating to the acquisition and realisation of investments have been translated at rates of exchange ruling at the time of the respective transactions.

m) Long term business provision

The long term business provision for the Company is determined on the basis of recognised actuarial methods.

It includes explicit provision for declared bonuses added up to and including the reporting date. Implicit provision is made for future bonuses through the choice of the valuation rates of interest.

Lloyds TSB Life Assurance Company Limited
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Notes to the Accounts (continued)

n) Fund for future appropriations

The fund for future appropriations comprises amounts which have yet to be allocated to either participating policyholders or shareholders. Transfers between the fund for future appropriations and the long-term business Technical Account represent the changes in these unallocated amounts between Balance Sheet dates.

o) Cash Flow Statement

A cash flow statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised) "Cash Flow Statements" as consolidated accounts, in which the Company is included, are available (see note 23).

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Notes to the Accounts (continued)

3. Segmental analysis

	2001	2000
<i>(a) Analysis of gross premiums written</i>	£000	£000
Individual premiums	549,145	696,126
Premiums under group contracts	-	3,464
Total	<u>549,145</u>	<u>699,590</u>
Regular premium	491,371	587,779
Single premiums	57,774	111,811
Total	<u>549,145</u>	<u>699,590</u>
Premiums from non profit contracts	81,010	117,878
Premiums from with profits contracts	670	865
Premiums from linked contracts	467,465	580,847
Total	<u>549,145</u>	<u>699,590</u>
Premiums from life business	304,154	408,518
Premiums from annuity business	-	19,873
Premiums from pensions business	220,980	247,771
Permanent Health Insurance	24,011	23,428
Total	<u>549,145</u>	<u>699,590</u>
<i>(b) Analysis of new business gross written premiums</i>		
Individual premiums	60,074	129,101
Premiums under group contracts	-	2,584
Total	<u>60,074</u>	<u>131,685</u>
Regular premiums	2,300	19,874
Single premiums	57,774	111,811
Total	<u>60,074</u>	<u>131,685</u>
Premiums from non profit contracts	1,930	30,876
Premiums from linked contracts	58,144	100,809
Total	<u>60,074</u>	<u>131,685</u>
Premiums from life business	-	47,438
Premiums from annuity business	-	19,873
Premiums from pensions business	58,144	59,307
Permanent Health Insurance	1,930	5,067
Total	<u>60,074</u>	<u>131,685</u>

Where regular premiums are received other than annually, the regular new business premiums are included on an annualised basis.

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Notes to the Accounts (continued)

(c) Geographical analysis

All premiums are written in the United Kingdom.

(d) Reinsurance balance

The reinsurance balance amounted to a debit to the long term business technical account of £20,492,000 at 31 December 2001 (2000 £10,467,000 debit).

4. Investment income

(a) Technical account	2001	2000
	£000	£000
Investment income:		
Income from Group undertakings	39,901	43,845
Income from land and buildings	17,098	15,511
Income from other investments		
- listed	211,449	300,048
- other	90,583	80,196
Gains on the realisation of investments	71,869	623,412
	<u>430,900</u>	<u>1,063,012</u>
Unrealised losses on investments	(1,273,857)	(1,310,282)
Investment expenses and charges:		
Investment management expenses, including interest	(58,481)	(116,430)
Net Investment return	<u>(901,438)</u>	<u>(363,700)</u>
(b) Non – technical account		
Investment income:		
Income from land and buildings	200	200
Income from other investments		
- listed	-	-
- other	13,405	8,734
	<u>13,605</u>	<u>8,934</u>
Investment expenses and charges:		
Investment management expenses, including interest	-	-
Net Investment return	<u>13,605</u>	<u>8,934</u>
Total net investment return	<u>(887,833)</u>	<u>(354,766)</u>

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Notes to the Accounts (continued)

5. Net operating expenses

	2001	2000
	£000	£000
Acquisition costs	2,167	48,807
Change in deferred acquisition costs	71,124	11,690
Administrative expenses	54,257	30,333
	<u>127,548</u>	<u>90,830</u>

- (a) The administration of the Company is undertaken by Scottish Widows Services Limited. A recharge is levied from this undertaking to the Company in respect of those costs incurred on behalf of the Company.
- (b) Included within administrative expenses are total commissions paid by the Company of £3.6m (2000: £1.5m).
- (c) The Company had no employees during the period.

6. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	2001	2000
	£000	£000
Depreciation charge for the year:		
Owned assets	5,043	4,504
Assets held under finance leases	-	331
Finance lease charges	-	28
Auditors' remuneration for:		
Audit services (including VAT)	317	209
Other services (including VAT)	<u>21</u>	<u>299</u>

Lloyds TSB Life Assurance Company Limited
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Notes to the Accounts (continued)

7. Directors' emoluments and interests

(a) Directors' emoluments

The apportioned aggregate emoluments of the Directors amounted to £206,136 (2000 : £575,749).

Retirement benefits are accruing to 2 Directors (2000 : 2) under defined benefits schemes.

(b) Directors' interests

Lloyds TSB Group plc shares:

	At 1 January 2001	At 31 December 2001
M R Poulding	11,683	8,121
M L Sykes	-	3,501

Options to acquire Lloyds TSB Group plc shares:

	At 1 January 2001	Granted during the year	Exercised	At 31 December 2001
M R Poulding	73,841	-	1,363	72,478
M L Sykes	-	10,949	-	10,949

I D Thompson is also a Director of Scottish Widows Group Limited and his interests are disclosed in the accounts of that company.

8. Taxation on profit on ordinary activities

Technical account

UK corporation tax at 30% (2000 : 30%)	2001 £000	2000 £000
Current	46,696	81,914
Deferred	(21,337)	(2,302)
	<u>25,359</u>	<u>79,612</u>

Lloyds TSB Life Assurance Company Limited
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Notes to the Accounts (continued)

8. Taxation (continued)

Non-technical account

	2001	2000
	£000	£000
Tax credit attributable to balance on the long term business technical account at 30% (2000 : 30%)	33,853	70,537
Tax attributable to income arising in the non-technical account at 30% (2000 : 30%)	4,081	2,680
	<u>37,934</u>	<u>73,217</u>

9. Investments

(a) Land and Buildings

	2001	2001	2000	2000
	Current		Current	
	Value	Cost	Value	Cost
	£000	£000	£000	£000
Long leasehold	230	236	230	236

The valuation included in the balance sheet at the year end was carried out by Lloyds TSB Group's professionally qualified staff, who are members of the Institute of Chartered Surveyors, on the basis of open market value for existing use.

(b) Other financial investments

	2001	2001	2000	2000
	Market		Market	
	Value	Cost	Value	Cost
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts.	84,860	84,860	81,786	80,977
Debt securities and other fixed income securities	965,775	970,066	972,742	960,534
Deposits with credit institutions	384,071	384,071	849,020	848,630
	<u>1,434,706</u>	<u>1,438,997</u>	<u>1,903,548</u>	<u>1,890,141</u>

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

9(b) Other financial investments (continued)

Market value of other financial investments includes listed investments as follows :

	2001	2000
	£000	£000
Shares and other variable yield securities and units in unit trusts	<u>84,860</u>	<u>81,786</u>
Debt securities and other fixed income Securities	<u>965,775</u>	<u>972,742</u>

10. Assets held to cover linked liabilities

	2001	2001	2000	2000
	Current	Cost	Current	Cost
	Value	£000	Value	£000
	£000		£000	
Assets held to cover linked liabilities	<u>7,828,820</u>	<u>7,598,250</u>	<u>9,731,326</u>	<u>8,282,621</u>

11. Other debtors

	2001	2000
	£000	£000
Amounts owed by group undertakings	200,000	9,324
Other debtors	48,109	9,054
	<u>248,109</u>	<u>18,378</u>

During the year the Company entered into a loan arrangement with a fellow Group company. The loan has been made for a maximum of five years and there is no interest payable on the amount outstanding.

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Notes to the Accounts (continued)

12. Tangible Assets

	Computers And equipment £000	Fixtures and Other equipment £000	Total £000
Cost			
At 1 January 2001	30,580	14,545	45,125
Additions	1,306	-	1,306
At 31 December 2001	<u>31,886</u>	<u>14,545</u>	<u>46,431</u>
Depreciation			
At 1 January 2001	17,378	10,221	27,599
Charge for the year	4,763	280	5,043
At 31 December 2001	<u>22,141</u>	<u>10,501</u>	<u>32,642</u>
Net book value			
At 31 December 2001	<u>9,745</u>	<u>4,044</u>	<u>13,789</u>
At 31 December 2000	<u>13,202</u>	<u>4,324</u>	<u>17,526</u>

13. Called up share capital

	2001 £000	2000 £000
Authorised, allotted and issued fully paid: 16 million ordinary shares of £1 each	<u>16,000</u>	<u>16,000</u>

14. Reserves

	Profit and loss account £000	Other reserves £000	Total Reserves £000
At 1 January 2001	449,967	44,000	493,967
Profit for the financial year	88,514	-	88,514
At 31 December 2001	<u>538,481</u>	<u>44,000</u>	<u>582,481</u>

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

15. Reconciliation of movements in Shareholder's funds

	2001 £000	2000 £000
Opening Shareholder's funds	509,967	339,127
Profit for the financial year	88,514	170,840
Closing Shareholder's funds	<u>598,481</u>	<u>509,967</u>

16. Technical provisions

	Claims outstanding £000	Long term business provision £000	Technical Provision for linked liabilities £000
(a) Gross technical provisions			
Balance at 1 January 2001	60,483	1,320,326	9,751,977
Movement for the year	6,200	(154,058)	(1,903,547)
At 31 December 2001	<u>66,683</u>	<u>1,166,268</u>	<u>7,848,430</u>
(b) Reinsurers' share			
Balance at 1 January 2001	1,883	27,375	20,651
Movement for the year	(1,883)	(14,718)	(1,041)
At 31 December 2001	<u>0</u>	<u>12,657</u>	<u>19,610</u>
(c) Net technical provisions			
Balance at 31 December 2001	<u>66,683</u>	<u>1,153,611</u>	<u>7,828,820</u>
Balance at 31 December 2000	<u>58,600</u>	<u>1,292,951</u>	<u>9,731,326</u>

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

17. Long term business provision

The principal assumptions underlying the calculation of the long term business provision were as follows:

Class of business	Interest rate % 2001	Interest rate % 2000
With profit business:		
Endowment plus assurances	2.50	2.50
Other assurances	3.00	3.00
Non profit business		
Life temporary assurances	3.20	3.20
Pension temporary assurances	4.00	4.00
Endowment assurances	3.20	3.20
Whole of life assurances	3.20	3.20
Guaranteed bonus bonds	4.10	5.40
Pension annuities in payment	4.81	4.96
Permanent health insurance claims in payment	4.65	4.94

The following mortality assumptions (for the main classes of business) are based on the actual experience of the portfolio as well as relevant industry statistics:

Assurances: AM80 ult for males with an addition of 60% to the mortality rate for smokers and a deduction of 20% for non-smokers. AF80 ult for females with an addition of 60% to the mortality rate for smokers and a deduction of 20% for non smokers.
(2000: A67/70 ult for males with an addition of 20% to the mortality rate for smokers and a deduction of 10% for non-smokers. Females as for males aged 3 years younger).

Pensions annuities in payment: 100% PMA92 (entry in 2002) for males, 80% PFA92 (entry in 2002) for females.

Full details are available in the annual returns made by the Company under the Financial Services and Markets Act 2000.

Cost of Bonuses

The cost of bonuses for the year, including terminal bonuses, totalled £0.9m (2000 : £1.1m).

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Notes to the Accounts (continued)

18. Provisions for other risks and charges

	Deferred Tax £000
At 1 January 2001	27,027
Utilised in the year	(21,337)
At 31 December 2001	<u>5,690</u>

Deferred tax is in respect of	2001 £000	2000 £000
Deferred acquisition costs	5,274	26,611
Accelerated capital allowances	416	416
	<u>5,690</u>	<u>27,027</u>

19. Other creditors including taxation and social security

	2001 £000	2000 £000
Amounts owed to Group undertakings	13,551	155,559
Other creditors	40,081	49,380
	<u>53,632</u>	<u>204,939</u>

20. Long term business fund

At 31 December 2001 the total amount of assets representing the long term business fund valued in accordance with the provisions of Schedule 9A to the Companies Act 1985 was £9,306.1m (2000: £11,221.8m).

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21. Derivative contracts

At 31 December 2001 the Company had entered into, in the normal course of business, option contracts, index future contracts and forward foreign exchange contracts. All such contracts were undertaken for either hedging or efficient portfolio management purposes with the exception of certain contracts used for the purpose of matching contractual liabilities.

22. Related party transactions

Advantage has been taken of the exemption under Financial Reporting Standard 8 (FRS 8) not to disclose transactions between entities 90% or more of whose voting rights are controlled within the Lloyds TSB group, of which the Company is a member.

No contract of significance existed at any time during the period in which a Director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 8 "Related Party Disclosures".

There were no other material transactions by the Company with related parties for the period ended 31 December 2001.

23. Parent undertaking

The Company's immediate parent undertaking is Lloyds TSB Financial Services Limited, a Company registered in the United Kingdom. Lloyds TSB Financial Services Limited has taken advantage of the provisions of the Companies Act 1985 and has not produced consolidated accounts.

Lloyds TSB Group plc is regarded by the Directors as the ultimate parent company and ultimate controlling party of Lloyds TSB Life Assurance Company Limited. Copies of the Lloyds TSB Group plc accounts, in which the Company is consolidated, can be obtained from the Group Secretary's Department, Lloyds TSB Group plc, 71 Lombard Street, London, EC3P 3BS.