

**TSB FINANCIAL SERVICES LIMITED**

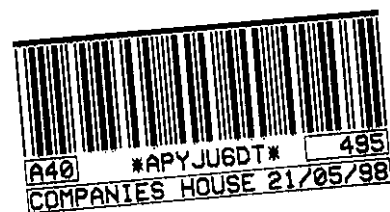
**REPORT AND ACCOUNTS 1997**

Registered number 2079683

Registered office  
Charlton Place  
Andover  
Hampshire SP10 1RE

Directors  
R J Spragg  
C M Wiscarson

Company Secretary  
H S Rodgers



Member of Lloyds TSB Group

## DIRECTORS' REPORT

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### Principal activity

The management of the Lloyds TSB Group PEP and the Lloyds TSB Group Single Company PEP was transferred to another group company in April 1997 and the Company then ceased to be a plan manager.

### Results

The loss on ordinary activities after taxation for the year was £10,000 (14 months ended 31 December 1996: loss £5,000).

### Share capital

On 7 February 1997 the authorised share capital of the Company was increased by 90,000 ordinary shares of £1 each, all of which were issued for cash at par.

### Directors

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

During the year the following directors were appointed or resigned:

	Appointed	Resigned
P G E Ayliffe		9 June
R J Spragg	30 May	
A J Windo		25 April
C M Wiscarson	30 May	

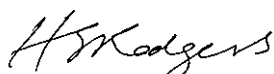
Reference is made on page 8 in note 11 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries.

### 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 for goods and services supplied at 31 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,



H S Rodgers  
Secretary

6 February 1998

## AUDITORS' REPORT TO THE SHAREHOLDER OF TSB FINANCIAL SERVICES LIMITED

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We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention in accordance with the accounting policies set out in Note 1.

### Respective responsibilities of directors and auditor

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 results of the Company for that year. In preparing those financial statements, the directors are required to:

- . select suitable accounting policies and 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 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 consider 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 affairs of the Company as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE  
Chartered Accountants and Registered Auditors  
London

6 February 1998

TSB FINANCIAL SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**

31 DECEMBER 1997

NOTE		12 months ended	14 months ended
		31 December 1997 £000	31 December 1996 £000
3	<b>Turnover</b>	19	4,941
	Cost of sales	(19)	(4,889)
	Gross profit	0	52
4	Administrative expenses	(24)	(75)
5	Interest receivable	10	16
	<b>Loss on ordinary activities before taxation</b>	(14)	(7)
6	Tax on loss on ordinary activities	4	2
	<b>Loss on ordinary activities after taxation</b>	(10)	(5)
	Balance brought forward	27	32
	<b>Balance carried forward</b>	17	27

The notes on pages 6 to 8 form part of these accounts.

The Company had no recognised gains and losses other than those reflected in the profit and loss account. There is no difference between the reported losses for the financial year as stated above and those that would be reported under the historical cost basis.

Turnover and operating profit are derived entirely from discontinued activities.

TSB FINANCIAL SERVICES LIMITED

**BALANCE SHEET**

31 DECEMBER 1997

NOTE		1997 £000	1996 £000
	<b>Current assets</b>		
7	Debtors	4	4
8	Cash at bank	142	152
		<u>146</u>	<u>156</u>
9	Creditors: amounts falling due within one year	( 9)	(99)
	<b>Net assets</b>	<u>137</u>	<u>57</u>
	<b>Capital and reserves</b>		
10	Called up share capital	120	30
	Profit and loss account	17	27
12	<b>Equity shareholder's funds</b>	<u>137</u>	<u>57</u>

The notes on pages 6 to 8 form part of these accounts.



C M Wiscarson - Managing Director

## NOTES TO THE ACCOUNTS

**NOTE 1****Accounting policies****Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

**Turnover**

Turnover arose from the sale of Lloyds TSB Group plc shares to the PEP Schemes and from the management of the Personal Equity Plans.

**Allocation of expenditure**

Administrative expenses includes amounts recharged from other Lloyds TSB Group subsidiary undertakings on a basis to reasonably reflect the costs applicable to the Company. These expenses include pension contributions payable to the TSB Group Pension Scheme. Details of the scheme are contained in the accounts of Lloyds TSB Group plc.

**Taxation**

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

**NOTE 2****Cash flow statement and related party transactions**

The Company is a wholly owned subsidiary of Lloyds TSB Group plc and is included in the consolidated accounts of Lloyds TSB Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Lloyds TSB Group plc or investors of the Lloyds TSB Group plc.

**NOTE 3****Turnover**

Turnover, which all arises in the United Kingdom, represents the following:

	12 months ended 31 December 1997 £000	14 months ended 31 December 1996 £000
Proceeds from the sale of shares to the PEP schemes (after discounts)	19	4,889
Net remuneration from managing the PEPs	0	52
	19	4,941

**NOTE 4****Administrative expenses**

The Company does not directly employ any staff. Auditor's remuneration of £4,000 (1996: £5,000) is included in administrative expenses. Fees payable to the auditor or its affiliates for non-audit work were £8,000 (1996: £8,000). No director received any emoluments in connection with his services to the Company (1996: £nil).

## NOTES TO THE ACCOUNTS (Continued)

**NOTE 5****Interest receivable**

Interest receivable of £10,000(1996:£16,000) is derived from group undertakings.

**NOTE 6****Taxation**

	12 months ended 31 December 1997 £000	14 months ended 31 December 1996 £000
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Tax based on the loss for the period comprises:

Group relief (receivable)/payable at 31.5% (1996: 33%)	(4)	(2)
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**NOTE 7****Debtors**

	1997 £000	1996 £000
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Amounts falling due within one year:

Trade debtors	-	2
Group relief receivable	4	2
	4	4

**NOTE 8****Cash at bank**

Cash at bank and in hand comprises amounts which are placed at commercial rates of interest with TSB Bank plc, a fellow subsidiary undertaking.

**NOTE 9****Creditors**

	1997 £000	1996 £000
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Amounts falling due within one year:

Amounts due to group undertakings	-	90
Accruals and deferred income	9	9
	9	99

**NOTE 10****Share capital**

	1997 £000	1996 £000
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Authorised, allotted, called up and fully paid ordinary shares of  
£1 each

120	30
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During the year 90,000 ordinary shares of £1 each were issued for cash at par.

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.

TSB FINANCIAL SERVICES LIMITED

**NOTES TO THE ACCOUNTS (Continued)**

**NOTE 11**

**Directors' interests**

The interests of Mr. R J Spragg, 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 date of appointment
R J Spragg	23,000	23,000

Options to acquire ordinary shares of 25p each.

	At date of appointment	Granted during year or since appointment	Exercised during the year or since appointment	At 31 December 1997
R J Spragg	16,705	-	-	16,705

Mr. Spragg did not have any other interest in the capital of Lloyds TSB Group plc or its subsidiaries.

**NOTE 12**

**Equity shareholder's funds**

	1997 £000	1996 £000
Loss for the financial year	(10)	(5)
Net proceeds of issue of shares	90	-
Increase/(decrease) in shareholder's funds in the year	80	(5)
Opening shareholder's funds	57	62
Closing shareholder's funds	137	57

**NOTE 13**

**Date of approval**

The directors approved the accounts on 6 February 1998.