

TSB FINANCIAL SERVICES LIMITED

REPORT AND ACCOUNTS 1998

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

Principal activity

On 27 October 1998 the company resigned from its membership of the Investment Management Regulatory Organisation and ceased to be authorised as a PEP plan manager. The only activity of the company has been the receipt of bank interest.

Results

The profit on ordinary activities after taxation for the year was £6,000 (1997: loss £10,000) as set out on page 4.

Directors

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

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 does not follow a code relating to payments to suppliers. Its policy is to agree terms of payment and these normally provide for settlement 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 1998, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

Year 2000

The company recognises the far-reaching implications of the Year 2000 problem. The principal risk faced by the company is a failure to maintain electronically based services to its customers. Lloyds TSB Group plc, of which the company is a subsidiary, has undertaken a review of computerised systems throughout the group, to identify any alterations needed to deal with problems arising from the failure to recognise dates before, on or after 1 January 2000. A significant proportion of the necessary changes have now been made and testing will continue throughout 1999.

All costs relating to the company's Year 2000 preparations are being borne by Lloyds TSB Group plc and have been disclosed in that company's accounts.

On behalf of the board,



H S Rodgers
Secretary

3 February 1999

AUDITORS' REPORT TO THE SHAREHOLDER OF TSB FINANCIAL SERVICES LIMITED

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 on page 6.

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.

Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Companies Act. 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.

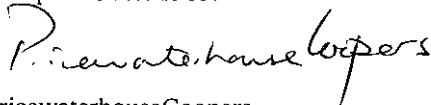
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

3 February 1999

TSB FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31 DECEMBER 1998

NOTE		1998 £000	1997 £000
3	Turnover	-	19
	Cost of sales	-	(19)
	Gross profit	-	-
4	Administrative expenses	-	(24)
5	Interest receivable	9	10
	Profit on ordinary activities before taxation	9	(14)
6	Tax on profit/(loss) on ordinary activities	(3)	4
	Profit/(Loss) on ordinary activities after taxation	6	(10)
	Balance brought forward	17	27
	Balance carried forward	23	17

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 1998

NOTE		1998 £000	1997 £000
	Current assets		
7	Debtors	2	4
8	Cash at bank	149	142
		151	146
9	Creditors: amounts falling due within one year	(8)	(9)
	Net assets	143	137
	Capital and reserves		
10	Called up share capital	120	120
	Profit and loss account	23	17
12	Equity shareholder's funds	143	137

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



C M Wiscarson - Managing Director

TSB FINANCIAL SERVICES LIMITED

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:

	1998 £000	1997 £000
Proceeds from the sale of shares to the PEP schemes (after discounts)	-	19

NOTE 4

Administrative expenses

The company does not directly employ any staff. Auditor's remuneration of £5,000 (1997: £4,000) is included in administrative expenses. Fees payable to the auditor or its affiliates for non-audit work were £8,000 (1997: £8,000). No remuneration was paid or is payable by the company to the directors. The directors are employed by other companies in the Lloyds TSB Group and consider that their services to this company are incidental to their other activities within the group. Neither director exercised share options during the year (1997: 1).

TSB FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

NOTE 5

Interest receivable

Interest receivable of £9,000 (1997:£10,000) is derived from group undertakings.

NOTE 6

Taxation

	1998 £000	1997 £000
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Tax based on the profit/loss for the period comprises:

Group relief payable/(receivable) at 31% (1997: 31.5%)	3	(4)
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NOTE 7

Debtors

	1998 £000	1997 £000
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Amounts falling due within one year:

Other debtors	2	-
Group relief receivable	-	4
	2	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

	1998 £000	1997 £000
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Amounts falling due within one year:

Group relief payable	3	-
Accruals and deferred income	5	9
	8	9

NOTE 10

Share capital

	1998 £000	1997 £000
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Authorised, allotted, called up and fully paid ordinary shares of £1 each	120	120
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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:

Shares:

	At 31 December 1998	At 1 January 1998
R J Spragg	23,000	23,000

Options to acquire shares:

	At 1 January 1998	During the year		At 31 December 1998
		Granted	Exercised	
R J Spragg	16,705	10,000	-	26,705

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

	1998 £000	1997 £000
Profit/(Loss) for the financial year	6	(10)
Net proceeds of issue of shares	-	90
Increase/(decrease) in shareholder's funds in the year	6	80
Opening shareholder's funds	137	57
Closing shareholder's funds	143	137

NOTE 13

Date of approval

The directors approved the accounts on 3 February 1999.