

AMBASSADOR INSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS 1997

Registered Office

**71 Lombard Street
London, EC3P 3BS**

Registered Number

2123239

Directors

**SA Maran (Chairman)
D Holt (Managing Director)**

Company Secretary

S O'Connor

Member of Lloyds TSB Group



24/4/98
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Ambassador Insurance Company Limited

Report of the Directors

Principal Activity and Business Review

The company's activity is the provision of private health insurance plans.

Results and Dividends

The profit for the year after taxation amounted to £2.5 m (1996 : £3.5m). No dividend is proposed for 1997 (1996: £nil.)

Charitable Donations

During the year the company made a charitable donation of £10,000.

Directors

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

During the year the following directors were appointed or resigned.

	Appointed	Resigned
E A Kirtley (Managing Director)		29.5.97
D Holt (Managing Director)	29.5.97	
Laurel Powers-Freeling		3.3.98

Reference is made on page 13 in note 18 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries.

Policy 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, providing the supplier performs according to the terms of the contract. As the company owed no amounts to trade creditors 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 IV of schedule 7 to the Companies Act, is nil.

On behalf of the board



D Holt
Managing Director

2 April 1998

Ambassador Insurance Company Limited

Report of the Auditors to the member of Ambassador Insurance Company Limited

We have audited the financial statements on pages 4 to 13, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

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 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 are responsible for ensuring the company keeps 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 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 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 affairs of the Company at 31 December 1997 and of its profit of the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants & Registered Auditors
31 Great George Street
Bristol

2 April 1998

Ambassador Insurance Company Limited

Profit and Loss Account for the year ended 31st December 1997 Technical Account - General Business

		1997	1996
	Notes	£000	£000
Gross premiums written		31,567	24,854
Reinsurance ceded		313	264
Net premiums written	2	<u>31,254</u>	<u>24,590</u>
Change in gross provision for unearned premiums		604	667
		<u>30,650</u>	<u>23,923</u>
Gross claims paid		17,553	12,032
Gross change in provision for claims		271	1,266
Claims incurred net of reinsurance	3	<u>17,824</u>	<u>13,298</u>
Net operating expenses	4	10,563	6,646
		<u>28,387</u>	<u>19,944</u>
Balance on the technical account for general business		<u>2,263</u>	<u>3,979</u>

The notes on pages 7 to 13 form part of these accounts.

Ambassador Insurance Company Limited

Profit and Loss Account for the year ended 31st December 1997 Non-Technical Account

	<u>Notes</u>	1997 <u>£000</u>	1996 <u>£000</u>
Balance on the general business technical account		2,263	3,979
Investment Income	9	1,475	1,161
Profit on ordinary activities before taxation		<u>3,738</u>	<u>5,140</u>
Taxation	10	1,235	1,675
Retained Profit for the financial year		<u>2,503</u>	<u>3,465</u>

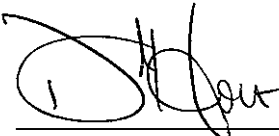
The results for the year are wholly attributable to continuing operations. There are no recognised gains and losses other than those set out above. A reconciliation of movements in Shareholder's funds is given on page 12 in Note 16 to the financial statements.

The notes on pages 7 to 13 form part of these accounts.

Ambassador Insurance Company Limited

Balance Sheet as at 31st December 1997

Assets		1997	1996
	Notes	£000	£000
Investments			
Deposits with credit institutions	11	22,000	20,000
Debtors			
Debts arising out of direct insurance operations - policyholders		3,231	2,729
Other debtors	12	-	238
		3,231	2,967
Other Assets			
Tangible assets	13	128	189
Cash in bank and in hand		4,130	1,443
		4,258	1,632
Prepayments and Accrued Income			
Accrued interest		161	113
Deferred acquisition costs		375	375
Other prepayments and accrued income		184	225
		720	713
Total Assets		<u>30,209</u>	<u>25,312</u>
Liabilities			
Capital and Reserves			
Called up share capital	14	5,250	5,250
Profit and loss account		11,544	9,041
		16,794	14,291
Technical Provisions			
Unearned premiums		3,236	2,632
Claims outstanding		5,139	4,868
		8,375	7,500
Creditors	15		
Arising out of direct insurance operations		1,635	895
Other creditors including taxation and social security		3,405	2,383
		5,040	3,278
Accruals and Deferred Income		-	243
Total Liabilities		<u>30,209</u>	<u>25,312</u>


 D Holt
 Managing Director

The notes on pages 7 to 13 form part of these accounts.

Ambassador Insurance Company Limited

Notes to the Accounts

1. Accounting Policies

The accounts have been prepared in compliance with the special provisions relating to insurance companies of section 255 of, and schedule 9A to, the Companies Act 1985.

The accounts have been prepared in accordance with applicable accounting standards. In addition, the company has adopted all material recommendations of the Guidance on Accounting for Insurance Business issued by the Association of British Insurers in December 1996.

The company is exempt from the requirement to produce a cashflow statement since a consolidated cashflow statement prepared in accordance with the requirements of Financial Reporting Standard No 1 is included in the accounts of the ultimate parent undertaking, Lloyds TSB Group plc. In addition, advantage has been taken of the exemption available under FRS8 not to disclose details of transactions with Lloyds TSB Group plc, or other Group associated undertakings, as the consolidated accounts of Lloyds TSB Group plc in which the company is included are publicly available.

The principal accounting policies are as follows :

- a) Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered in a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the inwards insurance business.

Written premiums exclude insurance premium tax.

The total of unearned premiums represents that proportion of gross premiums net of rebates and cancellations written up to the balance sheet date which is attributable to subsequent periods calculated with regard to the outstanding risk period.

The provision for unearned premiums represents that proportion of gross premiums net of rebates and cancellations written up to the balance sheet date which is attributable to subsequent periods calculated with regard to the outstanding risks.

- b) Acquisition costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing contracts are deferred so that commissions paid in a period are deferred on a basis consistent with the deferral of premiums receivable in a period.
- c) The provision for outstanding claims includes the cost of claims notified but not settled and of claims incurred but not notified and of claims settlement expenses at the date of the balance sheet.

The provision for claims incurred but not reported at the date of the balance sheet and the related claims settlement expenses together with the anticipated reinsurance and other recoveries, are made on the basis of the best information currently available, having regard, in particular, to past claims experience. Subsequent information and events may result in the ultimate liabilities being more, or less than, the amount provided for the estimated net liabilities at a particular balance sheet date. The estimates made are regularly reviewed in the light of subsequent information and any resulting adjustments are reflected in the earnings of the year in which the adjustments are made.

Ambassador Insurance Company Limited

1. Accounting Policies (cont.)

- d) Investments income is accounted for on a receivable basis.
- e) All investments are stated at current value in the balance sheet.
- f) Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value over the expected useful life as follows :

Computer equipment	3 years
Furniture, fixtures and fittings	5 years

Motor vehicles are depreciated on an individual basis having regard to the envisaged usage.

- g) Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences where there exists a reasonable expectation that a liability will arise in the future.
- h) Payments in respect of operating leases have been included in the appropriate period.
- i) The staff of the company are members of the Abbey Life Staff Pension Scheme, which is a defined benefits pension scheme. The assets of this scheme are held in separate trustee administered funds. The pension costs relating to these schemes are assessed in accordance with the advice of qualified actuaries using the projected unit method. Variations from the regular cost are allocated by equal instalments over the average remaining service lives of the group's employees. Contributions are charged to the Profit and Loss Account so as to spread the expected cost of pensions on a systematic basis over the employees' working lives.

2. Earned Premiums net of Reinsurance

	Gross £000	Reinsurance £000	Net £000
1997			
Premiums receivable	31,567	313	31,254
Unearned premiums carried forward	3,236	-	3,236
Unearned premiums brought forward	2,632	-	2,632
Increase	604	-	604
Premiums earned	30,963	313	30,650
1996			
Premiums receivable	24,854	264	24,590
Unearned premiums carried forward	2,631	-	2,631
Unearned premiums brought forward	1,964	-	1,964
Increase	667	-	667
Premiums earned	24,187	264	23,923

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2. Earned Premiums net of Reinsurance (Continued)

In the opinion of the directors, there are no separable reporting segments, all business written being private health cover.

3. Claims Incurred net of Reinsurance

	Gross £000	Reinsurance £000	Net £000
1997			
Claims paid	17,553	-	17,553
Outstanding claims carried forward	5,139	-	5,139
Outstanding claims brought forward	4,868	-	4,868
Increase	271	-	271
Claims incurred	17,824	-	17,824
1996			
Claims paid	11,768	-	11,768
Claims handling expenses paid	264	-	264
	12,032	-	12,032
Outstanding claims carried forward	4,868	-	4,868
Outstanding claims brought forward	3,602	-	3,602
Increase	1,266	-	1,266
Claims incurred	13,298	-	13,298

4. Net Operating expenses

1997			
Acquisition costs - commission	5,653	-	5,653
Acquisition costs - other	836	-	836
	6,489	-	6,489
Deferred acquisition costs carried forward	375	-	375
Deferred acquisition costs brought forward	375	-	375
Increase	0	-	0
Incurred acquisition costs	6,489	-	6,489
Administrative expenses			4,074
			10,563
1996			
Acquisition costs - commission	3,485	-	3,485
Acquisition costs - other	61	-	61
	3,546	-	3,546
Deferred acquisition costs carried forward	375	-	375
Deferred acquisition costs brought forward	339	-	339
Increase	36	-	36
Incurred acquisition costs	3,510	-	3,510
			6,646

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5. Administrative Expenses

	1997 £000	1996 £000
Administrative expenses include :		
Depreciation	63	77
Policyholders' Protection Act levy	315	77
Auditors' remuneration - audit services	20	20
Other operating lease rentals	10	12

6. Staff Costs

	1997 £000	1996 £000
Wages and salaries	1,395	1,261
Social security costs	97	102
Other pension costs	139	191
	1,631	1,554

The average number of employees during the year was as follows :

	1997 No	1996 No
Management	3	3
Clerical	3	3
Other	78	63
	84	69

7. Directors' Emoluments

The aggregate of the emoluments of the directors was £71,136 (1996: £122,000).

Retirement benefits are accruing to no directors (1996: one) under defined benefit pension schemes.

Compensation for loss of office of £68,205 was paid to a director during the year.

8. Pensions

Staff were members of the Abbey Life Staff Pension Scheme for which an outline of the results of the most recent actuarial valuation is disclosed in the accounts of the immediate parent company Lloyds TSB Financial Savings Holdings plc. Contributions are based on the pension costs across all members of the scheme.

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9. Investment Income

Investment income consists mainly of income from deposits with credit institutions

10. Taxation

The charge for taxation in the profit and loss account is as follows :

	1997 £000	1996 £000
Corporation Tax @ 31.5% (1996 - 33%)	1,235	1,691
Over provision in respect of previous years	-	(16)
	<u>1,235</u>	<u>1,675</u>

11. Investments

Investments consist of deposits with credit institutions with maturities of between one and three months.

12. Debtors

Other debtors includes £nil (1996 : £6,000) due from group undertakings.

13. Tangible Assets

	Computer equipment £000	Motor vehicles £000	Furniture & equipment £000	Total £000
Cost:				
At 1st January 1997	137	133	142	412
Additions	13	15	-	28
Disposals	-	(50)	-	(50)
At 31st December 1997	<u>150</u>	<u>98</u>	<u>142</u>	<u>390</u>
Depreciation :				
At 1st January 1997	101	39	83	223
Charge for year	24	21	16	61
Disposals	-	(22)	-	(22)
At 31st December 1997	<u>125</u>	<u>38</u>	<u>99</u>	<u>262</u>
Net book value :				
At 31st December 1997	<u>25</u>	<u>60</u>	<u>43</u>	<u>128</u>
At 31st December 1996	<u>36</u>	<u>94</u>	<u>59</u>	<u>189</u>

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14. Called up share capital

	1997 £000	1996 £000
Authorised, allotted and issued fully paid 5,250,000 ordinary shares of £1 each	5,250	5,250

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 can be obtained from the Company Secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

The company regarded by the directors as the immediate parent undertaking is Lloyds TSB Financial Services Holdings plc.

15. Creditors

Creditors arising out of direct insurance operations includes £879,116 (1996 : £458,000) due to group undertakings. Other creditors include £182,463 (1996 : £136,000) due to group undertakings.

16. Reconciliation of Movements in Shareholders' Funds

	Share capital £000	Profit & Loss account £000	Equity Shareholders' Funds Total £000
At 1st January 1997	5,250	9,041	14,291
Retained profit for the financial year	-	2,503	2,503
At 31st December 1997	5,250	11,544	16,794

17. Operating Lease Commitments

Operating lease rentals of equipment which are due in the following year are as follows :

	1997 £000	1996 £000
Leases expiring within 1 year	-	2
Leases expiring between 1 and 5 years	-	8

18. Directors' Interests

The interests of SA Maran in the capital of Lloyds TSB Group plc and its subsidiaries are disclosed in the accounts of Lloyds TSB Group plc. The interests of D Holt and LC Powers-Freeling in the capital of Lloyds TSB Group plc and its subsidiaries are disclosed in the accounts of Lloyds TSB Financial Services Holdings plc.

19. Date of Approval

The directors approved the accounts on 2 April 1998.