

AMBASSADOR INSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS 2000

Registered Office

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

Registered Number

2123239

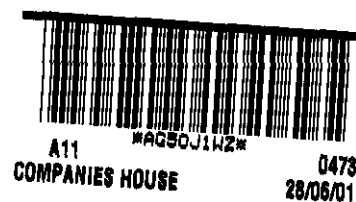
Directors

**J C Pain (Managing Director)
G W Fillery**

Company Secretary

S O'Connor

Member of Lloyds TSB Group



Ambassador Insurance Company Limited

REPORT OF THE DIRECTORS

Principal activity and business review

The company's activity was the provision of private medical insurance plans.

Since the balance sheet date the company has ceased to trade as an insurance company.

The company's remaining claims reserves as at 31 December 2000 were transferred with associated assets from Ambassador Insurance Company Limited to Lloyds TSB General Insurance Limited, a fellow subsidiary in the Lloyds TSB Group, in accordance with Schedule 2C of the Insurance Companies Act 1982.

Results and dividends

The profit after taxation for the year ended 31 December 2000 amounted to £1,783,000 (1999 : £6,707,000) as set out in the profit and loss account on pages 4 and 5. A dividend of £6,900,000 is proposed for 2000 (1999: £nil).

Directors

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

The following changes in directors have taken place during the year:

	Appointed	Resigned
G W Fillery	7 February 2000	
J C Pain	7 February 2000	
D Holt		7 February 2000
P J Hubbard		7 February 2000

Reference is made on page 13 in note 14 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 follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the Department of Trade and Industry, No.1 Victoria Street, London, SW1H 0ET.

The company's policy is to agree terms of payment with suppliers 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 at 31 December 2000, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (1999: nil).

On behalf of the board



S O'Connor
Secretary
6th June 2001

AUDITORS' REPORT TO THE MEMBER OF AMBASSADOR INSURANCE COMPANY LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared in accordance with the accounting policies set out in Note 1.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described below, the financial statements. 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 as at the end of the year and of the profit or loss of the company 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 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 in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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.

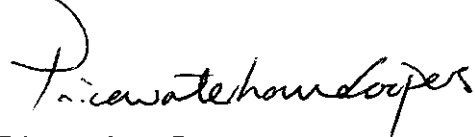
Basis of audit opinion

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 2000 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
Bristol
6th June 2001

Ambassador Insurance Company Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31ST DECEMBER 2000

TECHNICAL ACCOUNT - GENERAL BUSINESS

		Year ended 31 December 2000		Year ended 31 December 1999	
	<u>Notes</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Earned premiums net of reinsurance					
Gross premiums written		-		17,967	
Outward reinsurance premiums		-		(26)	
Net premiums written	2		-		17,941
Change in gross provision for unearned premiums	2		-		2,473
Earned premiums net of reinsurance	2		-		20,414
Claims incurred net of reinsurance					
Gross claims paid	3		(254)		(11,570)
Gross change in provision for claims	3		402		5,637
Claims incurred net of reinsurance	3		148		(5,933)
Net operating expenses	4		329		(6,342)
			477		(12,275)
Balance on the technical account for general business			477		8,139

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 2000

NON-TECHNICAL ACCOUNT

	<u>Notes</u>	Year ended 31 December 2000		Year ended 31 December 1999	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance on the general business					
Technical account			477		8,139
Investment income	7	786		1,532	
Unrealised (losses)/gains on investments	9	(11)		4	
Investment expenses and charges		-		(34)	
			775		1,502
Profit on ordinary activities before			<u>1,252</u>		<u>9,641</u>
taxation					
Taxation on profit on ordinary activities	8		531		(2,934)
Profit on ordinary activities after			<u>1,783</u>		<u>6,707</u>
taxation					
Dividends			(6,900)		-
Retained (loss)/profit for the financial	13		<u>(5,117)</u>		<u>6,707</u>
year					

The results for 1999 and 2000 are wholly attributable to discontinued 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 13 in Note 13 to these statements.

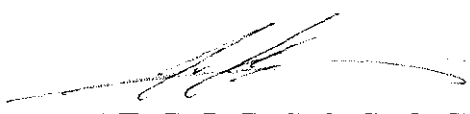
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Ambassador Insurance Company Limited

BALANCE SHEET AS AT

31ST DECEMBER 2000

Assets	Notes	Year ended 31 December 2000		Year ended 31 December 1999	
		£000	£000	£000	£000
Investments					
Other financial investments	9		10,887		10,898
Debtors					
Amounts owed by group undertakings			15,930		18,325
Other assets					
Cash at bank and in hand			3,089		2,305
Prepayments and accrued income					
Accrued interest			154		152
Total assets			<u>30,060</u>		<u>31,680</u>
Liabilities					
Capital and reserves					
Called up share capital	10	5,250		5,250	
Profit and loss account	13	<u>17,850</u>		<u>22,967</u>	
Shareholder's funds attributable to equity interests			23,100		28,217
Provisions for other risks and charges	11		-		329
Technical provisions					
Claims outstanding			-		433
Creditors: amounts falling due within one year	12		6,960		2,701
Total liabilities			<u>30,060</u>		<u>31,680</u>


G W Fillery

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

NOTES TO THE ACCOUNTS

1. Accounting policies

The accounts have been prepared in compliance with the provisions relating to insurance companies of section 255 of, and schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 1998.

Cashflow statement and related party transactions

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 (revised) 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 Financial Reporting Statement No.8 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.

Basis of accounting

The annual accounting basis is used. The underwriting results are determined after taking full account of the premiums, outstanding claims, deferred acquisition costs and allocated investment income. The accounts have been prepared under the historical cost convention, as modified to include the revaluation of investments, and in accordance with applicable accounting standards.

Premium recognition

Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered into 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 for any differences between booked premiums for prior years and those previously accrued. 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.

Provision for unearned premiums

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.

Unexpired risks

The total of unearned premiums and related investment return in future years is compared with the aggregate estimated future claims and expenses in respect of business in force at the year end. A provision for unexpired risks would be created if a deficiency occurred.

Deferred acquisition costs

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. Advances to intermediaries in respect of periods in excess of the period of risk are treated as prepayments.

Ambassador Insurance Company Limited

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)

Outstanding claims

The provision for outstanding claims represents the ultimate cost of settling all claims, including direct and indirect claims settlement costs, arising from events that have occurred up to the balance sheet date. This provision includes the cost of claims notified but not settled and claims incurred but not yet reported.

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, is 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.

Investment income and valuation

Investment income on deposits is accrued for on a day to day basis.

All investments are stated at current value in the balance sheet.

Depreciation

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.

Deferred taxation

Deferred taxation is provided under the liability method on material timing differences, where there is a reasonable probability that taxation will become payable or recoverable in the foreseeable future.

Ambassador Insurance Company Limited

NOTES TO THE ACCOUNTS (continued)

2. Earned premiums net of reinsurance

	Gross £000	Reinsurance £000	Net £000
Year ended 31 December 2000			
Premiums written	-	-	-
Unearned premiums carried forward	-	-	-
Unearned premiums brought forward	-	-	-
Increase / (decrease)	-	-	-
Premiums earned	-	-	-
Year ended 31 December 1999			
Premiums written	17,967	26	17,941
Unearned premiums carried forward	-	-	-
Unearned premiums brought forward	(2,473)	-	(2,473)
(Decrease)	(2,473)	-	(2,473)
Premiums earned	20,440	26	20,414

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

3. Claims incurred net of reinsurance

	Gross £000	Reinsurance £000	Net £000
Year ended 31 December 2000			
Claims paid	254	-	254
Outstanding claims carried forward	-	-	-
Transfer to Lloyds TSB General Insurance Limited, a fellow subsidiary company	31	-	31
Outstanding claims brought forward	(433)	-	(433)
(Decrease)	(402)	-	(402)
Claims incurred	(148)	-	(148)
Year ended 31 December 1999			
Claims paid	11,570	-	11,570
Outstanding claims carried forward	433	-	433
Outstanding claims brought forward	(6,070)	-	(6,070)
(Decrease)	(5,637)	-	(5,637)
Claims incurred	5,933	-	5,933

Ambassador Insurance Company Limited

NOTES TO THE ACCOUNTS (continued)

4. Net operating expenses

	Year ended 31 December 2000	Year ended 31 December 1999
Acquisition costs	-	3,076
Deferred acquisition costs carried forward	-	0
Deferred acquisition costs brought forward	-	(435)
Increase/(decrease)	-	(435)
Incurring acquisition costs		3,511
Administrative expenses	(329)	2,831
	(329)	6,342

Within administrative expenses for the year ended 31 December 1999 are amounts recharged from a fellow subsidiary undertaking and other expenses including:-

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Staff Costs:		
Wages and salaries	-	682
Social Security costs	-	84
Pension costs (note 5)	-	-
Other staff costs	-	80
Depreciation	-	13
Policyholders' Protection Act levy	(329)	(315)
Auditors' remuneration – audit services	-	19
	(329)	563

The company does not directly employ any staff. The costs of employees' services provided to the company are borne by a fellow subsidiary, Lloyds TSB General Insurance Limited. In 1999 staff costs were incurred by the company and these were identified as part of the overall management recharge.

The average number of staff for whom a recharge has been made during the year was as follows:

	2000	1999
Administration and finance	-	41
Underwriting	-	0
Claims	-	21
	-	62

Ambassador Insurance Company Limited

NOTES TO THE ACCOUNTS (continued)

5. Pension costs

Full actuarial valuations of the Lloyds TSB Group Pension Schemes No's 1 and 2 are carried out every three years with interim reviews in the intervening years. At 30 June 1999, the date of the latest full actuarial valuations, the principal actuarial assumptions adopted were that, over the long term, the annual real rate of return on new investments would be 3 per cent higher than the annual increase in pensionable remuneration, 4 per cent higher than the annual increase in present and future pensions in payment, and 3 per cent higher than the annual increase in dividends receivable. The market value of the assets of the schemes at this date was £11,748 million. The actuarial value of the assets represented 125 per cent of the accrued liabilities allowing for future increases in pensions and pensionable remuneration. For funding purposes, the surpluses in the two schemes are being eliminated by means of a contribution holiday. SSAP24 accounting adjustments in respect of surpluses on the pension schemes are carried in the books of Lloyds TSB Insurance Services Limited, the recharging company.

6. Directors' emoluments

No remuneration was paid or is payable by the company to the directors (1999 : £56,196). 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.

7. Investment income

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Income from other investments		
Income from deposits with credit institutions	137	1,373
Other interest received	649	159
Total income	<u>786</u>	<u>1,532</u>

8. Taxation

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

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Corporation Tax @ 30% (1999 - 30.25%)	277	2,934
Prior year item - Corporation Tax	(808)	-
	<u>(531)</u>	<u>2,934</u>

Ambassador Insurance Company Limited

NOTES TO THE ACCOUNTS (continued)

9. Investments

	Current value		Purchase price	
	31 December 2000 £000	31 December 1999 £000	31 December 2000 £000	31 December 1999 £000
Financial investments				
Debt securities and other fixed income securities	10,887	10,898	10,894	10,894
	<u>10,887</u>	<u>10,898</u>	<u>10,894</u>	<u>10,894</u>

All debt and fixed income securities are listed on recognised exchanges.

10. Called up share capital

	31 December 2000 £000	31 December 1999 £000
Authorised, allotted and issued fully paid 5,250,000 ordinary shares of £1 each	<u>5,250</u>	<u>5,250</u>

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 group of undertakings for which group accounts are drawn up and of which the company is a member. Lloyds TSB Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group accounts of both can be obtained from the Company Secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

11. Provision for other risks and charges

<u>Policyholders' Protection Act Levy</u>	31 December 2000 £000
Provision brought forward 1 January 2000	329
Release of 1998 provision	<u>(329)</u>
Provision carried forward 31 December 2000	<u>-</u>

The provision relates to the levy payable to the Policyholders' Protection Board (PPB) in the event of the failure of an insurance company regulated under the FSA.

Amounts which become payable in respect of 1999 and 2000 will be settled by Lloyds TSB General Insurance Limited, a fellow subsidiary, which has assumed the relationships with existing policyholders following management's decision to cease underwriting.

Ambassador Insurance Company Limited

NOTES TO THE ACCOUNTS (continued)

12. Creditors: amounts falling due within one year

	31 December 2000 £000	31 December 1999 £000
Proposed dividend	6,900	-
Corporation tax	60	2,701
	<u>6,960</u>	<u>2,701</u>

13. Reconciliation of movements in shareholder's funds

	Share capital £000	Profit & Loss account £000	Total £000
At 1st January 2000	5,250	22,967	28,217
Retained profit/(loss) for the financial year	-	(5,117)	(5,117)
At 31st December 2000	<u>5,250</u>	<u>17,850</u>	<u>23,100</u>

14. Directors' interests

The interests of GW Fillery and JC Pain in the capital of Lloyds TSB Group plc are disclosed in the accounts of Lloyds TSB General Insurance Holdings Limited.

15. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 8, not to disclose details of transactions with the Lloyds TSB Group plc or the subsidiaries and associated undertakings thereof.

In the opinion of the directors, there have been no other transactions with any related parties other than those covered by the above exemption.

16. Contingent liabilities and commitments

In the opinion of the directors, there were no contingent liabilities or commitments requiring disclosure.

17. Date of approval

The directors approved the accounts on 6th June 2001.