

TSB GENERAL INSURANCE SERVICES LIMITED

REPORT OF THE DIRECTORS

Principal activity

The principal activity of the company is to arrange general insurance underwritten by authorised insurers.

Results

The profit after taxation for the year ended 31 December 1998 amounted to £2,300,000 (year ended 31 December 1997: loss £285,000), as set out in the profit and loss account on page 5.

Directors

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

Reference is made on page 11 in note 13 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 payment of 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 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. A review of the company's computerised systems has therefore been undertaken, 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 there are plans to ensure that customer service will be maintained at all times. In that regard, comprehensive testing will continue throughout 1999.

The company is liaising with its customers, suppliers and others to assess and minimise the impact on the company should they fail to deal adequately with this issue.

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

On behalf of the board


H S Rodgers

Secretary

23 April 1999



TSB GENERAL INSURANCE SERVICES LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDER OF TSB GENERAL INSURANCE SERVICES LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the historic cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described below, the financial statements. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

Statement of directors' responsibilities

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 profit 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 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 proper 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.

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.

TSB GENERAL INSURANCE SERVICES LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDER OF TSB GENERAL INSURANCE SERVICES LIMITED (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs as at 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants & Registered Auditors
Bristol

23 April 1999

TSB GENERAL INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31 DECEMBER 1998

NOTE

		Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
1	Turnover	3,276	4,382
1&3	Cost of sales	165	(206)
	Gross profit	3,441	4,176
3	Net operating expenses	(506)	(3,751)
	Operating profit / (loss)	2,935	425
4	Interest receivable and similar income	129	-
5	Interest payable and similar charges	(18)	(809)
	Profit on ordinary activities before taxation	3,046	(384)
6	Taxation on profit on ordinary activities	(746)	99
	Profit on ordinary activities after taxation being profit for the financial period	2,300	(285)
	Loss brought forward	(5,335)	(5,050)
	Loss carried forward	(3,035)	(5,335)

All the amounts above are in respect of continuing operations.

The above results represent the company's total recognised gains and losses in both financial periods. The notes on pages 7 to 11 form part of these financial statements.

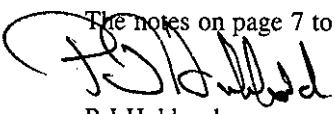
TSB GENERAL INSURANCE SERVICES LIMITED

BALANCE SHEET

31 DECEMBER 1998

NOTE		31 December 1998 £000	31 December 1997 £000
	Current assets		
7	Debtors	14,031	21,002
	Cash at bank & in hand	4,134	-
		<u>18,165</u>	<u>21,002</u>
9	Creditors: amounts falling due within one year	(20,918)	(25,718)
	Net current liabilities	<u>(2,753)</u>	<u>(4,716)</u>
10	Provision for liabilities and charges	-	(506)
8	Deferred taxation	(282)	(113)
	Net liabilities	<u>(3,035)</u>	<u>(5,335)</u>
	Capital and reserves		
11	Called up share capital	-	-
	Profit and loss account	(3,035)	(5,335)
12	Shareholder's funds	<u>(3,035)</u>	<u>(5,335)</u>

The notes on page 7 to 11 form part of these financial statements.


P J Hubbard
Director

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of accounting

At 31 December 1998 the company had a deficiency of shareholder funds of £3,035,000 (1997: Loss £5,335,000). The accounts have been prepared on a going concern basis under the historical cost convention as the directors are satisfied that the support available from the holding company is sufficient to enable the company to meet its liabilities as they fall due. The accounts have been prepared in accordance with applicable accounting standards.

Turnover

Turnover which all arises in the United Kingdom comprises commissions receivable from general insurance activities.

Cost of sales

Cost of sales principally comprises commission payable which is accounted for when the related commission receivable is recognised.

Deferred taxation

Taxation deferred or accelerated by reason of timing differences between financial and taxable profit is accounted for to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Cash Flow Statement

The company is exempt from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its ultimate parent undertaking. In addition advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with entities that are part of the Lloyds TSB Group plc or investees of the Lloyds TSB Group plc.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

2. Directors' emoluments

No remuneration was paid or is payable by the company to the directors (1997: £38,274). 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.

The number of directors who exercised share options was 2 (1997: 2).

3. Net operating expenses

Net operating expenses for the year ended 31 December 1998, comprise amounts recharged from a fellow subsidiary company, Lloyds TSB Insurance Services Limited. The company does not directly employ any staff. Remuneration payable to the auditors for audit work has been borne by a fellow subsidiary company, Lloyds TSB General Insurance Limited, in respect of the year ended 31 December 1998 (1997: £11,750). Included within cost of sales figure is a £506,000 credit, being the release of a provision for maintenance costs (1997: nil).

	Year ended 31 December 1998	Year ended 31 December 1997
	Total £000	Total £000
Cost of sales	(165)	206
Administrative expenses	506	3,751
	506	3,751

4. Interest receivable and similar income

Interest receivable includes £129,000 (1997: £nil) from fellow subsidiary undertakings.

5. Interest payable and similar charges

Interest payable includes £18,000 (1997: £624,000) payable to fellow subsidiary undertakings on bank overdrafts repayable within five years.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

6. Taxation

	Year ended 31 December 1998 £000	Year ended 31 December 1997 £000
Taxation charge comprises:		
Corporation tax at 31% (1997: 31.5%) payable on profit in the period	(577)	441
Deferred taxation	(169)	(340)
Prior year item - deferred taxation	-	(2)
	<u>(746)</u>	<u>99</u>

7. Debtors

	31 December 1998 £000	31 December 1997 £000
Trade debtors	34	5,191
Amounts owed by other subsidiary undertakings	13,971	14,867
Prepayments	-	470
Corporation taxation	-	442
Other debtors	26	32
	<u>14,031</u>	<u>21,002</u>

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Deferred Taxation

	Balance at 1 January 1998	(Charge)/credit to the profit and loss account	Balance at 31 December 1998
	£000		
Maintenance costs	158	£000 (158)	£000 0
Accelerated capital allowances	47	(11)	36
Pension Credit	(318)	0	(318)
Total	(113)	(169)	(282)

9. Creditors : amounts falling due within one year

	31 December 1998 £000	31 December 1997 £000
Amounts falling due within one year:		
Bank overdraft	-	2,097
Amounts owing to holding company	-	23
Amounts owing to fellow subsidiary undertakings	20,013	10,702
Corporation Tax payable	775	
Accruals and deferred income	130	12,896
	20,918	25,718

The overdraft is placed at commercial rates of interest with TSB Bank plc, a subsidiary undertaking of Lloyds TSB Group plc.

10. Provisions for liabilities and charges

	Maintenance costs £000	Total £000
Balance at 1 January 1998	506	506
Credit to profit and loss account	(506)	(506)
Balance at 31 December 1998	0	0

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

11. Called up share capital

	31 December 1998 £	31 December 1997 £
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2

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

12. Reconciliation of movement in shareholder's funds

	Profit and loss account £000	Total Shareholders' Funds £000
At 1 January 1997	(5,335)	(5,335)
Retained profit for the period	2,300	2,300
At 31 December 1998	(3,035)	(3,035)

13. Directors' interests

The interests of D Holt and P J Hubbard in the capital of Lloyds TSB Group plc are disclosed in the accounts of Lloyds TSB Financial Services Holdings plc and Lloyds TSB General Insurance Holdings Limited respectively.

14. 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.

15. Date of approval

The directors approved the accounts on 23 April 1999.