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# **LLOYDS TSB FINANCIAL SERVICES LIMITED**

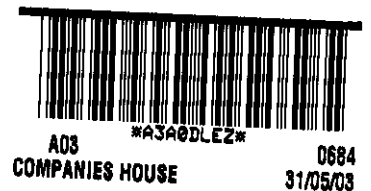
REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2002

Member of Lloyds TSB Group



**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Company Information**

**Board of Directors**

J McConville  
I D Thompson

**Secretary**

S N O'Connor

**Auditors**

PricewaterhouseCoopers LLP  
Erskine House  
68-73 Queen Street  
Edinburgh  
EH2 4NH

**Registered Office**

25 Gresham Street  
London  
EC2V 7HN

**Company Registration Number**

346570

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Directors' Report**

**Principal activities**

Lloyds TSB Financial Services Limited ("the Company") is a holding company and its subsidiaries provide a comprehensive range of financial services to personal and commercial customers in the United Kingdom and overseas in respect of life assurance, pensions and unit trusts.

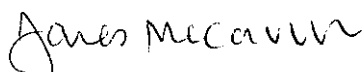
**Results and dividends**

The loss after taxation for the year ended 31 December 2002 amounted to £230,860,000 (2001: profit £136,831,000) as set out in the profit and loss account on page 6. The Directors do not propose the payment of any dividend for the year (2001: £100,000,000).

**Directors**

The names of the Directors of the Company are shown on page 2. Information regarding the Directors' emoluments and interests in shares is given in notes 6 and 7 to the accounts.

On behalf of the Board,



J McConville  
Director

26 February 2003

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Report of the Independent Auditors**  
**To the Member of Lloyds TSB Financial Services Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

**Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 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 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 United Kingdom Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Report of the Independent Auditors (continued)**  
**To the Members of Lloyds TSB Financial Services Limited**

**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 affairs of the Company as at 31 December 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

26 February 2003

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

**Profit and Loss Account**

	Notes	2002 £000	2001 £000
Income from shares in group undertakings	2	-	150,000
Amounts written off investments	8	(231,073)	(13,376)
Other interest receivable and similar income		305	296
(Loss)/profit on ordinary activities before taxation		<u>(230,768)</u>	<u>136,920</u>
Taxation	3	(92)	(89)
(Loss)/profit on ordinary activities after taxation	5	<u>(230,860)</u>	<u>136,831</u>
Dividends	4	-	(100,000)
Retained (loss)/profit for the financial year		<u>(230,860)</u>	<u>36,831</u>
Balance brought forward		60,180	23,349
Balance carried forward		<u>(170,680)</u>	<u>60,180</u>

There are no recognised gains or losses other than the (loss)/profit for the financial year and all operations are continuing.

The notes on pages 8 to 11 form an integral part of these accounts.

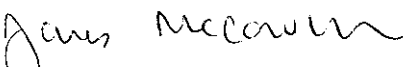
**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

**Balance Sheet**

	Notes	2002 £000	2001 £000
<b>Fixed Assets</b>			
<b>Investments</b>			
Shares in group undertakings	8	967,649	1,606,571
Other financial investments	9	6,667	-
		<u>974,316</u>	<u>1,606,571</u>
<b>Current assets</b>			
Amounts owed by group undertakings	10	550,875	250,000
Cash at bank		-	6,567
Prepayments and accrued income		21	-
		<u>550,896</u>	<u>256,567</u>
<b>Creditors: amounts falling due within one year</b>	11	(56)	(207,122)
<b>Net current assets</b>		<u>550,840</u>	<u>49,445</u>
<b>Total assets less current liabilities</b>		<u>1,525,156</u>	<u>1,656,016</u>
<b>Creditors: amounts falling due after more than one year</b>			
Amounts owed to group undertakings		(100,000)	-
		<u>1,425,156</u>	<u>1,656,016</u>
<b>Capital and reserves</b>			
Called up share capital	12	1,595,836	1,595,836
Profit and loss account		(170,680)	60,180
<b>Equity shareholder's funds</b>	13	<u>1,425,156</u>	<u>1,656,016</u>

The notes on pages 8 to 11 form an integral part of these accounts.

Approved by the Board on 26 February 2003

  
J McConville  
Director



**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

**Notes to the Accounts**

**1. Accounting policies**

**a. Basis of preparation**

The accounts are prepared under the historical cost convention, in compliance with the requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

The Company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 (Revised 1996) 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 Lloyds TSB Group plc or other group or associated undertakings.

**b. Financial Reporting Standard 18 "Accounting Policies"**

The Company complies with Financial Reporting Standard 18 "Accounting Policies".

**c. Investment in Subsidiaries**

*Investments in subsidiary undertakings are included in the balance sheet at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.*

**2. Income from shares in group undertakings**

Income comprises dividends receivable from subsidiary undertakings.

**3. Taxation**

A reconciliation of the current tax charge for the year for the Profit and Loss Account to the charge that would result from applying the standard UK corporation tax rate to profit before tax is given below:

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
Tax charge at UK corporation tax rate of 30%	(69,230)	41,076
Items not taxed:		
Group income	-	(45,000)
Amounts written off investments	69,322	4,013
Current tax charge	<u>92</u>	<u>89</u>

**4. Dividends**

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
Interim proposed nil (2001: 6.3p) per £1 share	-	100,000
	<u>-</u>	<u>100,000</u>

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Notes to the Accounts (continued)**

**5. Loss on ordinary activities before taxation**

All administration expenses, including auditors' remuneration, are borne by another group company.

**6. Directors' emoluments**

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.

**7. Directors' interests**

The Directors of the Company are also Directors of Scottish Widows Group Limited and their interests are disclosed in the accounts of that company.

None of the Directors who held office during the year ended 31 December 2002 had any interest in the shares of the Company (2001: none).

**8. Investments**

**Shares in group undertakings**

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
At 1 January	1,606,571	1,619,947
Disposals	(407,849)	-
Provision for diminution in value	(231,073)	(13,376)
Net realisable value at 31 December	<u>967,649</u>	<u>1,606,571</u>

In accordance with Financial Reporting Standard 11 "Impairment of Fixed Assets and Goodwill", the Directors undertook an impairment review of certain of the Company's subsidiaries during the year ended 31 December 2002. One of those subsidiaries, Abbey Life Assurance Company Limited, is a life insurance company which is now closed to new business. As a result of the decreasing scale of activity, the net realisable value of the investment in this company fell below the carrying value as at 31 December 2001. A provision for diminution in value of £225,713,000 (2001 : £13,376,000) has been charged to the profit and loss account in the current year. A further diminution in value of £5,360,000 (2001 : nil) has been charged to the profit and loss account in the current year in respect of non-life subsidiaries whose net realisable value fell below cost during the year.

During the year the Company disposed of its investment in Lloyds TSB Life Assurance Company Limited to Scottish Widows Group Limited.

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

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**Notes to the Accounts (continued)**

**8. Investments (continued)**

Lloyds TSB Financial Services Limited owns 100% of the issued ordinary share capital of its subsidiary undertakings. The subsidiary undertakings, all of which prepare accounts to 31 December and whose results are included in the consolidated accounts of Lloyds TSB Group plc, are:

Scottish Widows Unit Trust Managers Limited  
Lloyds Bank Unit Trust Managers Limited  
TSB Life Limited

- TSB Pensions Limited

TSB Investment Services Limited  
Target Holdings Limited  
Abbey Life Assurance Company Limited

- Abbey Life Farms Limited
- Abbey Life Pension and Annuities Limited
- Ambassador Life Assurance Company Limited
- Gisborne Life Assurance Company Limited
- HSL Pension Trustee Services Limited
- Jetastute Limited
- NLA Tower Management Limited

Abbey Life Investment Services Limited  
Abbey Life Property Development Limited  
Abbey Life Services Limited  
Abbey Life Trustee Services Limited  
Abbey Unit Trust Managers Limited

- Abbey Life Securities Limited

Hill Samuel Investment Services Group Limited

- FAS Limited
- HSL Facilities Limited
- Hill Samuel Investment Services Limited
- Hill Samuel Professional Adviser Services Limited
- HSLA Residual Assets Limited

Consolidated accounts are not prepared, as the Company is a wholly-owned subsidiary of another company incorporated in Great Britain.

**Lloyds TSB Financial Services Limited**  
**Report and Accounts for the Year Ended 31 December 2002**

**Notes to the Accounts (continued)**

**9. Other financial investments**

Other financial investments consist solely of holdings in the SWIP Global Liquidity Fund plc.

**10. Amounts owed by group undertakings**

Included in amounts owed by group undertakings is £550,875,000 (2001: nil) which is due after more than one year.

**11. Creditors : amounts falling due within one year**

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
Amounts due to group undertakings	-	207,038
Other creditors	56	84
	<u>56</u>	<u>207,122</u>

**12. Called up share capital**

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
Authorised, allotted and issued fully paid 1,595,836,000 (2001: 1,595,836,000) ordinary shares of £1 each	<u>1,595,836</u>	<u>1,595,836</u>

**13. Reconciliation of movement in shareholder's funds**

	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
(Loss)/profit for the year	(230,860)	136,831
Dividends	-	(100,000)
Net (decrease)/increase in shareholder's funds	<u>(230,860)</u>	<u>36,831</u>
Opening equity shareholder's funds	1,656,016	1,619,185
Closing equity shareholder's funds	<u>1,425,156</u>	<u>1,656,016</u>

**14. Parent undertaking**

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 may be obtained from the Company Secretary's office, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN.