

TSB GENERAL INSURANCE SERVICES LIMITED

REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2005

Registered Number:
2376164

Registered Office:

**Charlton Place
Andover
Hampshire
SP10 1RE**

Directors:

**P D Loney (Managing Director)
A B Lenman**

Company Secretary:

S N Slattery

Member of Lloyds TSB Group



TSB GENERAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

TSB General Insurance Services Limited is a company limited by shares, domiciled and incorporated in the United Kingdom. The Company's principal place of business is Tredegar Park, Newport, South Wales, NP10 8SB.

Principal activity and business review

During the year ended 31 December 2005, the Company did not trade. Its only income was interest receivable in respect of cash on deposit.

Results and dividends

The profit after taxation for the year ended 31 December 2005 amounted to £7,000 as set out in the income statement on page 6 (2004: £23,000). No dividend is proposed for the year ended 31 December 2005 (2004: nil).

Directors

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

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

| | Appointed | Resigned |
|------------|----------------|------------------|
| J A Green | | 31 December 2005 |
| A B Lenman | 3 January 2006 | |

Reference is made in note 15 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries.

Adoption of International Financial Reporting Standards (IFRS)

TSB General Insurance Services Limited has adopted IFRS in these financial statements. The adoption of IFRS has not resulted in any adjustments to the previously reported results and net assets. A reconciliation of the results and net assets under UK GAAP, as previously reported, to IFRS is not required.

Directors' responsibilities

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 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 judgments and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS; 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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.

TSB GENERAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Risk

The directors consider that the only significant area of risk is interest rate risk. Interest rate risk is minimised by holding short term cash positions as explained in note 3.

On behalf of the board

A handwritten signature in black ink, appearing to read 'A B Lenman', written in a cursive style.

A B Lenman
Director
27 June 2006

TSB GENERAL INSURANCE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TSB GENERAL INSURANCE SERVICES LIMITED

We have audited the financial statements of TSB General Insurance Services Ltd for the year ended 31 December 2005 which comprise the primary financial statements such as the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity on pages 5 to 8 and the related notes on pages 9 to 14. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 whether the financial statements have been 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southampton
27 June 2006

TSB GENERAL INSURANCE SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2005

(All amounts in £ thousands unless otherwise stated)

| | Note | As at 31 December 2005 | 2004 |
|---|------|---------------------------|------------|
| ASSETS | | | |
| Current assets | | | |
| Trade and other receivables | 4 | 3 | 3 |
| Cash and cash equivalents | 5 | 520 | 515 |
| | | <u>523</u> | <u>518</u> |
| Total assets | | <u>523</u> | <u>518</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to the Company's equity holder | | | |
| Ordinary share capital | 6 | - | - |
| Retained earnings | 7 | 519 | 512 |
| | | <u>519</u> | <u>512</u> |
| Total equity | | <u>519</u> | <u>512</u> |
| Current liabilities | | | |
| Current income tax liabilities | | <u>4</u> | <u>6</u> |
| | | <u>4</u> | <u>6</u> |
| Total liabilities | | <u>4</u> | <u>6</u> |
| Total equity and liabilities | | <u>523</u> | <u>518</u> |

The notes on pages 9 to 14 form an integral part of these accounts.



A B Lenman
Director
27 June 2006

TSB GENERAL INSURANCE SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in £ thousands unless otherwise stated)

| | Note | Year ended 31 December 2005 | 2004 |
|---|------|--------------------------------|-----------|
| Net interest income | 8 | 25 | 41 |
| Profit before income tax | | 25 | 41 |
| Income tax expense | 9 | (18) | (18) |
| Profit for the year attributable to the equity holder of the Company | | 7 | 23 |

All the amounts above are in respect of continuing operations.

The notes on pages 9 to 14 form an integral part of these accounts.

TSB GENERAL INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in £ thousands unless otherwise stated)

| | Note | Attributable to the equity holder of the Company | | |
|--|-------------|--|-------------------|------------|
| | | Share capital | Retained earnings | Total |
| Year ended 31 December 2004 | | | | |
| At beginning of year | | - | 489 | 489 |
| Profit for the year and total recognised income for 2004 | | - | 23 | 23 |
| At end of year | 6, 7 | - | 512 | 512 |
| Year ended 31 December 2005 | | | | |
| At beginning of year | | - | 512 | 512 |
| Profit for the year and total recognised income for 2005 | | - | 7 | 7 |
| At end of year | 6, 7 | - | 519 | 519 |

The notes on pages 9 to 14 form an integral part of these accounts.

TSB GENERAL INSURANCE SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

(All amounts in £ thousands unless otherwise stated)

| | Note | Year ended 31 December 2005 | 2004 |
|---|------|--------------------------------|--------------|
| Cash flows from operating activities | | | |
| Cash used by operations | 10 | (1) | (494) |
| Income tax (paid) / received | | (20) | 13 |
| Net cash used by operating activities | | <u>(21)</u> | <u>(481)</u> |
| Cash flows from investing activities | | | |
| Interest received | | 26 | 50 |
| Net cash generated from investing activities | | <u>26</u> | <u>50</u> |
| Net increase/(decrease) in cash and cash equivalents | | 5 | (431) |
| Cash and cash equivalents at beginning of year | 5 | <u>515</u> | <u>946</u> |
| Cash and cash equivalents at end of year | 5 | <u>520</u> | <u>515</u> |

The notes on pages 9 to 14 form an integral part of these accounts.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS

(All amounts in £ thousands unless otherwise stated)

1 General information

During the year ended 31 December 2005, TSB General Insurance Services Limited did not trade. Its only income was interest receivable in respect of cash on deposit. All business is transacted within the United Kingdom.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below.

The Company's ultimate parent company, Lloyds TSB Group plc, adopted International Financial Reporting Standards, as adopted by the European Union, ('IFRS') in its financial statements for the year ended 31 December 2005. In accordance with the Companies Act 1985, the Company has also adopted IFRS in the preparation of these financial statements for the year ended 31 December 2005.

These policies have been consistently applied to all the years presented.

The adoption of IFRS has not resulted in any adjustments to the previously reported results and net assets and a reconciliation under UK GAAP, as previously reported, to IFRS is not required.

2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2.2 Segment reporting

As a wholly-owned subsidiary of Lloyds TSB Group plc, the Company has chosen not to disclose segmental information.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.4 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.5 Income taxes, including deferred income taxes

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or announced by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Interest income

Interest income received from deposits is accrued for on a day to day basis using the effective yield method. All such income is received and reported on a gross basis.

3 Management of financial risk

The Company is exposed to financial risk. This is categorised as interest rate risk arising from open positions in interest rates.

3.1 Interest rate risk

The Company holds its cash and cash equivalents in short term deposits with maturities of less than 3 months and considers that its exposure to interest rate risks is minimal.

4 Trade and other receivables

| | 2005 | 2004 |
|--|----------|----------|
| Other loans and receivables: | | |
| - due from group companies | 1 | - |
| - accrued interest | 2 | 3 |
| Total loans and other receivables | 3 | 3 |

All trade and other receivables are current and are considered as low credit risk.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

5 Cash and cash equivalents

| | 2005 | 2004 |
|--|------------|------------|
| Cash at bank and in hand | 49 | 20 |
| Short-term bank deposits | 471 | 495 |
| Total cash and cash equivalents | 520 | 515 |

The effective rate on short-term bank deposits all of which were call deposit accounts, was 4.52% (2004: 4.85%).

All bank accounts are held with Lloyds TSB Bank plc.

6 Share capital

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Equity shares | | |
| At 1 January and 31 December | | |
| Issued and fully paid – 2 shares of £1 each | 2 | 2 |
| | <u>2</u> | <u>2</u> |

The total authorised number of equity shares is 1,000 (2004: 1,000) with a nominal value of £1 each.

The equity shares of £1 each carry the right to receive dividends proposed by the directors and the right to vote at general meetings. Upon winding up, the ordinary shares carry the right to a return of capital together with any surplus in retained earnings or less any accumulated deficits.

7 Retained earnings

| | 2005 | 2004 |
|------------------------|------------|------------|
| Profit & loss reserves | <u>519</u> | <u>512</u> |

Retained earnings represent the amount available for dividend distribution to the equity shareholder of the Company.

8 Net interest income

| | 2005 | 2004 |
|---|-----------|-----------|
| Cash and cash equivalents interest income | <u>25</u> | <u>41</u> |
| | <u>25</u> | <u>41</u> |

All interest income is generated from accounts held with Lloyds TSB Bank plc.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

9 Income tax expense

| | 2005 | 2004 |
|---|-----------|-----------|
| Current tax | | |
| - on profits for the year | 7 | 12 |
| - adjustments in respect of prior years | 11 | (2) |
| | <u>18</u> | <u>10</u> |
| Deferred tax | - | 8 |
| | <u>18</u> | <u>18</u> |

The charge for taxation on the profit for the year is based on a United Kingdom corporation taxation rate of 30% (2004: 30%).

A reconciliation of the current taxation charge for the year to the charge that would result from applying the standard United Kingdom corporation taxation rate to profit before taxation is given below:

| | 2005 | 2004 |
|--|-----------|-----------|
| Tax charge at UK corporation tax rate of 30% | 7 | 12 |
| Adjustments in respect of prior years | 11 | 6 |
| Tax charge for the year | <u>18</u> | <u>18</u> |

10 Cash used by operations

| | 2005 | 2004 |
|--|-------------|--------------|
| Cash flow from operating activities | | |
| Profit before tax | 25 | 41 |
| Adjustments for: | | |
| Interest income (net) | <u>(25)</u> | <u>(41)</u> |
| | - | - |
| Increase in amounts due from group companies | (1) | - |
| Decrease in trade and other payables | - | (494) |
| Cash used by operations | <u>(1)</u> | <u>(494)</u> |

11 Contingencies and commitments

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

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

12 Related-party transactions

The Company's immediate parent company is Lloyds TSB General Insurance Holdings Limited. 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 company of the smallest such group of undertakings. Copies of the group accounts of both companies may be obtained from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.

The Company's related parties include parents, fellow subsidiaries and the Company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors.

Transactions with key management

There were no transactions in the normal course of business that were material to key management or the Company.

No remuneration was paid or is payable by the Company to the directors (2004: nil). 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.

No director exercised share options (2004: None).

Transactions with other related parties

Year-end balances arising from transactions with other related parties

| | 2005 | 2004 |
|---|------|------|
| Receivables from related parties (note 4) | | |
| - fellow group subsidiaries | 1 | - |

13 Staff costs

The company does not directly employ any staff. The costs of employees' services provided to the Company have been borne by a fellow subsidiary, Lloyds TSB insurance Services Limited, and has been disclosed in that company's accounts.

14 Auditor's remuneration

The auditor's remuneration has been borne by a fellow subsidiary, Lloyds TSB Insurance Services Limited, and has been disclosed in that company's accounts.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

15 Directors' interests

The interests of the directors at the end of the year in the capital of Lloyds TSB Group plc are disclosed in the accounts of Lloyds TSB General Insurance Holdings Limited.

16 Date of approval

The directors approved the accounts on 27 June 2006.