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LLOYDS TSB LIFE ASSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2004



Member of Lloyds TSB Group

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

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Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Company Information

Board of Directors

Dr M D Green
J McConville
R J Whatford

Secretary

F Shah

Actuary

Dr M D Green

Auditors

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

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Registration Number

1132760

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Directors' Report

Principal activity and review of business

The Company operated as a life assurance company until 31 December 2004. Its principal activity was the undertaking of ordinary long term insurance business in the United Kingdom.

On 31 December 2004, the Company's assets and liabilities were transferred to Scottish Widows plc and Scottish Widows Annuities Limited, both wholly owned subsidiaries of the Lloyds TSB Group, with the exception of £3.3m of assets retained by the Company for solvency reasons. The transfer of the business was effected by a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000 and was approved by the Court of Session.

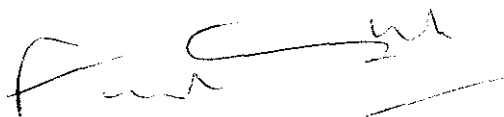
It is not intended that the Company will recommence trading in the foreseeable future.

Results and dividend

The result for the year ended 31 December 2004 is a trading profit after tax of £50.8m (2003: £100.7m). The transfer of the Company's assets and liabilities noted above has been accounted for through the profit and loss account which gives a loss after tax after transfer for the year of £487.3m. During the year the Company paid a dividend of £nil (2003 : £350m).

Directors

The names of the current Directors are listed on page 2. There have been no changes in directorships during the year. Particulars of the Directors' emoluments and interests in shares are given in note 8 to the accounts.



F Shah
Company Secretary
22 February 2005

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Report of the Independent Auditors To the Members of Lloyds TSB Life Assurance Company 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 other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Director's Report.

Lloyds TSB Life Assurance Company Limited
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Report of the Independent Auditors To the Members of Lloyds TSB Life Assurance Company Limited (continued)

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 2004 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
22 February 2005

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Technical Account – long term business			
	Notes	2004 £m	2003 £m
Earned premiums, net of reinsurance			
Gross premiums written	4(a)	373.4	471.8
Outward reinsurance premiums		(5.9)	(7.8)
Investment income	5(a)	288.6	269.7
Unrealised gains on investments	5(a)	407.3	850.8
		<u>1,063.4</u>	<u>1,584.5</u>
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,039.3)	(798.0)
Less: reinsurers' share		6.6	5.0
Change in the provision for claims	17(a)	<u>64.9</u>	<u>2.4</u>
		<u>(967.8)</u>	<u>(790.6)</u>
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
Gross amount	17(a)	955.6	70.3
Less: reinsurers' share	17(b)	<u>(12.6)</u>	<u>(0.6)</u>
		943.0	69.7
Other technical provisions, net of reinsurance			
- Technical provisions for linked liabilities	17(c)	<u>6,629.2</u>	<u>(492.1)</u>
		<u>7,572.2</u>	<u>(422.4)</u>
Net operating expenses	6	(36.8)	(73.1)
Investment expenses and charges	5(a)	(9.8)	(181.3)
Tax attributable to the long term business	9	(77.0)	(26.0)
Transfer from / (to) the fund for future appropriations		4.9	(1.5)
Other technical charges	3	<u>(7,807.9)</u>	<u>-</u>
		<u>(7,926.6)</u>	<u>(281.9)</u>
Balance on the Technical Account – long term business		<u>(258.8)</u>	<u>89.6</u>

All recognised gains and losses relevant to the Technical Account are dealt with above and all operations are discontinued.

The notes on pages 10 to 28 form an integral part of these accounts.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Non-Technical Account

	Notes	2004 £m	2003 £m
Balance on long term business Technical Account		(258.8)	89.6
Tax attributable to balance on the long term business Technical Account		<u>20.0</u>	<u>53.9</u>
Shareholder's pre tax (loss) / profit from long term business		(238.8)	143.5
Investment income	5(b)	13.0	17.1
Unrealised losses on investments	5(b)	(7.4)	(1.2)
Other charges	3	(232.7)	-
(Loss) / profit on ordinary activities before taxation	7	<u>(465.9)</u>	<u>159.4</u>
Taxation on (loss) / profit on ordinary activities	9	<u>(21.4)</u>	<u>(58.7)</u>
(Loss) / profit on ordinary activities after taxation		(487.3)	100.7
Dividend paid – ordinary shares		-	(350.0)
Retained loss for the financial year		<u>(487.3)</u>	<u>(249.3)</u>

All recognised gains and losses relevant to the Non-Technical Account are dealt with above and all operations are discontinued.

The notes on pages 10 to 28 form an integral part of these accounts.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Balance Sheet

	Notes	2004 £m	2003 £m
ASSETS			
Investments			
Land and buildings	10(a)	-	-
Other financial investments	10(b)	3.3	1,164.3
		<u>3.3</u>	<u>1,164.3</u>
Assets held to cover linked liabilities	11	-	6,629.2
Reinsurers' share of technical provisions			
Long term business provision	17(b)	-	12.6
Technical provisions for linked liabilities	17(b)	-	2.1
		<u>-</u>	<u>14.7</u>
Debtors			
Debtors arising out of direct insurance operations		-	15.9
Other debtors	12	-	314.3
		<u>-</u>	<u>330.2</u>
Other assets			
Tangible assets	13	-	6.1
Cash at bank and in hand		-	2.1
		<u>-</u>	<u>8.2</u>
Prepayments and accrued income			
Accrued interest and rent		-	25.6
Deferred acquisition costs		-	4.6
		<u>-</u>	<u>30.2</u>
TOTAL ASSETS		<u>3.3</u>	<u>8,176.8</u>

The notes on pages 10 to 28 form an integral part of these accounts.

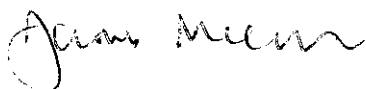
Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Balance Sheet

	Notes	2004 £m	2003 £m
LIABILITIES			
Capital and reserves			
Called-up share capital	15	16.0	16.0
Other reserves	16	44.0	44.0
Profit and loss account	16	(56.7)	430.6
Equity shareholders' funds	16	3.3	490.6
Fund for future appropriations		-	4.9
Technical provisions			
Long term business provision	17(a)	-	955.6
Claims outstanding	17(a)	-	64.9
Technical provisions for linked liabilities	17(a)	-	6,631.3
Creditors			
Other creditors including taxation and social security	19	-	29.5
TOTAL LIABILITIES		3.3	8,176.8

The notes on pages 10 to 28 form an integral part of these accounts.

Approved by the Board on 22 February 2005



J McConville
 Director

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared in accordance with section 255 and Schedule 9A of the Companies Act 1985 which covers the disclosures applicable to insurance companies. The accounts are prepared in accordance with the Association of British Insurers' Statement of Recommended Practice ("SORP") on Accounting for Insurance Business issued in November 2003.

The accounts have been prepared in accordance with applicable accounting standards. Compliance with Statement of Standard Accounting Practice 19 "Accounting for Investment Properties" ("SSAP 19") requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the accounting policy note relating to the valuation of investments below.

2. Accounting policies

a) Premiums

Premiums earned are accounted for in the year in which they fall due. In classifying new business premiums DSS rebates are classified as new single premiums.

b) Investment income

Dividends are included as investment income on the date that the shares become quoted ex-dividend. Interest and rent are included on an accruals basis.

c) Realised gains and losses on investments

Realised gains and losses on investments are calculated as the difference between net sale proceeds and the original cost.

d) Unrealised gains and losses on investments

Unrealised gains and losses on investments are calculated as the difference between the carrying valuation of investments at the Balance Sheet date and the original cost. Movements in unrealised gains and losses on investments arising in the year are shown in the Technical Account.

e) Claims incurred

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Claims payable include direct costs of settlement. Reinsurance recoveries are accounted for in the same period as their related claims.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)
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f) Commission

Commission is accounted for in the Technical Account in the year in which it falls due to be paid.

g) Deferred acquisition costs

The costs of acquiring new insurance contracts which are incurred during a financial period but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Such costs are disclosed as an asset in the Balance Sheet and are determined explicitly. The rate of change of the deferred acquisition cost asset is consistent with a prudent assessment of the expected pattern of receipt of the future revenue margins over the period the relevant contracts are expected to remain in force.

h) Fixed assets

Expenditure on fixtures and fittings and computer equipment is capitalised and depreciated by equal annual instalments over the expected useful lives of the relevant assets, having regard to expected residual values.

The periods generally applicable are:

- Fixtures and fittings 10 - 15 years
- Office equipment 5 years
- Computer equipment 6 years

i) Tax

Tax is charged or credited on all taxable profits or losses arising for the accounting period. The taxation charge in the Non-Technical Account is based on the taxable profit for the year. In the long term business Technical Account, the taxation charge is based on a method of assessing taxation for the long term fund. Any part of the balance on the long term business Technical Account that is computed on an after tax basis is grossed up at the effective rate of taxation in the Non-Technical Account.

j) Deferred tax

Deferred tax is recognised in respect of all timing differences that have not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)
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k) Long term reinsurance contracts

Long term business is ceded to reassurers under contracts to transfer part or all of one or more of the following risks: *mortality, morbidity, investment, persistency and expenses*. Such contracts are accounted for as insurance contracts.

l) Valuation of investments

Investments are stated at current value at the Balance Sheet date, calculated as follows:

- Freehold and leasehold properties are individually valued by external qualified surveyors, on the basis of open market value, account being taken of the cost of disposal. The valuation is carried out on an annual basis. Under the Companies Act 1985, land and buildings are required to be depreciated over their expected useful economic lives. In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19, that no depreciation should be provided in respect of such investments. The Directors consider that to depreciate investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted. Depreciation is only one of the factors reflected in the annual valuations and the amounts which might otherwise have been shown cannot reasonably be separately identified and quantified;
- Unit trust units are stated at bid value;
- Listed securities are stated at middle market value;
- Open Ended Investment Company ("OEIC") units are stated at their quoted price;
- Short-term deposits are included at cost;
- Financial futures and option contracts are valued at market rates ruling at the Balance Sheet date and the gain or loss on these contracts is brought into the Technical Account;
- Other investments are stated at Directors' valuation having prudent regard to the likely realisable value.

m) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Revenue transactions and those relating to the acquisition and realisation of investments have been translated at rates of exchange ruling at the time of the respective transactions. Any exchange differences are dealt with in that part of the profit and loss account in which the underlying transaction is reported.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)
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n) Long term business provision

The long-term business provision for the Company is determined on the basis of recognised actuarial methods and in accordance with the FSA Rules, as modified by the Statement of Recommended Practice on Accounting for Insurance Business, and all relevant guidance from the Institute and Faculty of Actuaries.

For with-profits business, a net premium valuation method is used. For all other classes, the methods used involve estimating future policy cashflows over the duration of the in-force book of policies, and discounting these cashflows back to the valuation date allowing for the probabilities of occurrence. Assumptions are made in respect of all material factors affecting future cashflows, including future interest rates, mortality and costs. All assumptions are set with a margin for prudence.

The principal assumptions made are the interest rates used to discount the cashflows and the mortality assumptions. These are disclosed in Note 18 to the Accounts. These, and other, assumptions are set as described below.

Interest rates

The higher the assumed rates of interest used to discount the cashflows when valuing the liabilities, the lower the value placed on the liabilities. The rates used are chosen in accordance with the relevant FSA Rules (as set out in the Integrated Prudential Sourcebook). These limit the rates of interest that can be used by reference to a number of factors including the dividend and earnings yields on equities, rental income, and redemption yields on fixed interest assets at the valuation date. An adjustment is made to the interest rates used to value with-profits business to allow for future bonuses.

Bonus Rates

The long-term business provision includes explicit provision for declared bonuses added up to and including the reporting date.

Mortality and Morbidity

The mortality and morbidity assumptions are set with regard to the Company's actual experience where this provides a reliable basis, and relevant industry data otherwise.

Expenses

Allowance is made for future policy costs on either an explicit or an implicit basis. Where an implicit margin is used, the adequacy of that margin is tested.

Expense loadings are determined by reference to an internal analysis of expense levels. An allowance is made for expense inflation from the valuation date.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)
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o) Fund for future appropriations

The fund for future appropriations comprises amounts which have yet to be allocated to either participating policyholders or shareholders. Transfers between the fund for future appropriations and the long-term business Technical Account represent the changes in these unallocated amounts between Balance Sheet dates.

p) Cash Flow Statement

A cash flow statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised) "Cash Flow Statements" as consolidated accounts, in which the Company is included, are available (see note 22).

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)
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3. Transfer of business to Scottish Widows plc and to Scottish Widows Annuities Limited

During the year the Directors of the Company approved proposals for the transfer of the assets and liabilities of the Company to Scottish Widows plc and Scottish Widows Annuities Limited, both wholly owned subsidiaries of the Lloyds TSB Group.

On 31 December 2004, under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000, Scottish Widows plc acquired the majority of the assets and all liabilities in respect of the Company's long term and other than long term business, with the exception of United Kingdom pensions annuities in payment and pensions term assurance business, which were transferred to Scottish Widows Annuities Limited.

The following table summarises the assets and liabilities transferred to both companies:

	£m
Investments	1,195.9
Assets held to cover linked liabilities	6,527.0
Debtors	324.8
Prepayments and accrued income	20.3
Other Assets	9.8
	8,077.8
 Creditors	 (97.3)
 Total net assets	 7,980.5
 Represented by:	
Profit and Loss account	538.1
Long term business provision	914.0
Technical provisions for linked liabilities	6,528.4
	7,980.5

The assets transferred were valued at their market value or Directors' valuation in accordance with the Scheme of Transfer as approved by the Court of Session. The policyholder liabilities transferred were determined on the basis of recognised actuarial methods.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

3. Transfer of business to Scottish Widows plc and to Scottish Widows Annuities Limited (continued)

Effects on Technical Account

	Trading 2004 £m	Effect of Transfer £m	Total £m
Gross premiums written	373.4	-	373.4
Outward reinsurance premium	(5.9)	-	(5.9)
Investment income	288.6	-	288.6
Unrealised gains on investments	407.3	-	407.3
Claims paid - gross amount	(1,039.3)	-	(1,039.3)
- reinsurer's share	6.6	-	6.6
Change in the provision for claims	4.8	60.1	64.9
Change in other technical provisions			
Long term business provision			
- gross amount	32.1	923.5	955.6
- reinsurer's share	(3.1)	(9.5)	(12.6)
Technical provision for linked liabilities	100.8	6,528.4	6,629.2
Net operating expenses	(36.8)	-	(36.8)
Investment expense and charges	(9.8)	-	(9.8)
Tax attributable to the long term business	(77.0)	-	(77.0)
Transfer from the fund for future appropriations	4.9	-	4.9
Other technical charges	-	(7,807.9)	(7,807.9)
Balance on the technical account	46.6	(305.4)	(258.8)

Effects on Non-Technical Account

	Trading 2004 £m	Effect of Transfer £m	Total £m
Balance on long term business Technical Account	46.6	(305.4)	(258.8)
Tax attributable to balance on long term business Technical Account	20.0	-	20.0
Investment income	13.0	-	13.0
Unrealised losses on investments	(7.4)	-	(7.4)
Other charges	-	(232.7)	(232.7)
Taxation on profit on ordinary activities	(21.4)	-	(21.4)
Retained profit / (loss) for the financial year	50.8	(538.1)	(487.3)

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

4. Segmental analysis

	2004	2003
	£m	£m
(a) Gross premiums written		
Individual premiums	373.4	471.8
Premiums under group contracts	-	-
Total	<u>373.4</u>	<u>471.8</u>
Regular premium	292.7	348.7
Single premiums	80.7	123.1
Total	<u>373.4</u>	<u>471.8</u>
Premiums from non profit contracts	41.6	50.7
Premiums from with profits contracts	0.6	0.8
Premiums from linked contracts	331.2	420.3
Total	<u>373.4</u>	<u>471.8</u>
Premiums from life business	181.7	258.9
Premiums from annuity business	-	-
Premiums from pensions business	176.2	195.4
Permanent Health Insurance	15.5	17.5
Total	<u>373.4</u>	<u>471.8</u>
(b) Gross new business premiums		
Individual premiums	80.7	123.1
Premiums under group contracts	-	-
Total	<u>80.7</u>	<u>123.1</u>
Regular premiums	-	-
Single premiums	80.7	123.1
Total	<u>80.7</u>	<u>123.1</u>
Premiums from non profit contracts	-	-
Premiums from linked contracts	80.7	80.7
Total	<u>80.7</u>	<u>123.1</u>
Premiums from life business	10.8	47.7
Premiums from annuity business	-	-
Premiums from pensions business	69.9	75.4
Permanent Health Insurance	-	-
Total	<u>80.7</u>	<u>123.1</u>

Where regular premiums are received other than annually, the regular new business premiums are included on an annualised basis.

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

4. Segmental analysis (continued)

(c) Business segment analysis

In the opinion of the Directors the Company operates in a single business segment, that being the provision of long-term insurance.

(d) Geographical analysis

All premiums are written in the United Kingdom.

(e) Reinsurance balance

The reinsurance balance amounted to a debit to the long term business technical account of £11.9m for the year to 31 December 2004 (2003 £3.4m debit).

5. Investment income

(a) Technical account long term business	2004	2003
	£m	£m
(i) Investment income:		
Income from Group undertakings	0.3	0.5
Income from land and buildings	6.3	11.2
Income from other investments		
- listed	232.6	197.2
- other	29.0	60.8
Gains on the realisation of investments	20.4	-
	<u>288.6</u>	<u>269.7</u>
(ii) Unrealised gains on investments	407.3	850.8
(iii) Investment management expenses, including interest		
Investment management expenses	(5.7)	(5.9)
Interest paid	(4.1)	(7.3)
Losses on the realisation of investments	-	(168.1)
	<u>(9.8)</u>	<u>(181.3)</u>
Net investment return included in the long-term business Technical Account	<u>686.1</u>	<u>939.2</u>

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

5. Investment income (continued)

(b) Non – Technical account	2004 £m	2003 £m
(i) Investment income:		
Income from other investments		
- listed	2.6	13.7
- other	-	1.4
Gains on the realisation of investments	10.4	2.0
	<u>13.0</u>	<u>17.1</u>
(ii) Unrealised losses on investments	(7.4)	(1.2)
Net investment return included in the Non-Technical Account	<u>5.6</u>	<u>15.9</u>

6. Net operating expenses

	2004 £m	2003 £m
Change in deferred acquisition costs	4.1	6.5
Administrative expenses	32.7	66.6
	<u>36.8</u>	<u>73.1</u>

- (a) The administration of the Company is undertaken by Scottish Widows Services Limited. A recharge is levied from this undertaking to the Company in respect of those costs incurred on behalf of the Company.
- (b) The Company had no direct employees during the year (2003 nil). The employee costs, including pension costs, are included in the recharge from Scottish Widows Services Limited noted above. The pension scheme operated is primarily a defined benefit scheme, however it is not possible to separately identify the amount of any surpluses or deficits in the scheme which relates to the Company. Details of the pension scheme can be found in the accounts of Scottish Widows Services Limited.
- (c) Included within administrative expenses are total commissions paid by the Company of £8.9m (2003: £38.5m).

Lloyds TSB Life Assurance Company Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

7. (Loss) / profit on ordinary activities before taxation

(Loss) / profit on ordinary activities before taxation is stated after charging:

	2004	2003
	£m	£m
Depreciation charge for the year:		
Owned assets	2.2	3.1
Auditors' remuneration for:		
Audit services	<u>0.2</u>	<u>0.2</u>

Fees paid to PricewaterhouseCoopers LLP for non audit work amounted to £286,824 (2003 : £15,000).

8. Directors' emoluments and interests

(a) Directors' emoluments

The apportioned aggregate emoluments of the Directors amounted to £62,257 (2003 : £61,438).

Retirement benefits are accruing to 3 Directors (2003 : 3) under defined benefit schemes.

(b) Directors' interests

Lloyds TSB Group plc shares:

	At 1 January 2004	At 31 December 2004
	Ordinary shares 25p	Ordinary shares 25p
Dr M D Green	4,146	5,154

Options to acquire Lloyds TSB Group plc shares:

	At 1	Granted		At 31
	January	(exercisable		December
	2004	between 2007	Lapsed	2004
		& 2014)		
Dr M D Green	33,914	12,880	-	46,794

J McConville and R J Whatford 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 2004 had any interest in the shares of the Company (2003: none).

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Notes to the Accounts (continued)

9. Taxation on (loss) / profit on ordinary activities

The Technical Account and Non-Technical Account are liable to United Kingdom corporation tax on the basis applicable to insurance companies as follows:

Technical Account long-term business

	2004	2003
	£m	£m
UK corporation tax		
Current tax on profits for the year	34.9	6.3
Adjustments in respect of prior periods	-	1.5
Double tax relief	(1.0)	(1.0)
	<u>33.9</u>	<u>6.8</u>
Foreign tax		
Current tax on profits for the year	2.2	1.9
	<u>36.1</u>	<u>8.7</u>
Deferred taxation		
Origination and reversal of timing differences	51.6	10.5
Effect of reduced tax rate on opening asset	-	8.7
Effect of discounting	(10.7)	(1.9)
	<u>40.9</u>	<u>17.3</u>
	<u>77.0</u>	<u>26.0</u>

Non-Technical Account

	2004	2003
	£m	£m
Tax attributable to balance on the long-term business		
Technical Account	20.0	53.9
Tax attributable to income arising in the Non-Technical Account	1.4	4.8
	<u>21.4</u>	<u>58.7</u>

The calculation of tax for the year is based on a UK corporation tax rate of 30% (2003: 30%).

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Notes to the Accounts (continued)

9. Taxation on loss on ordinary activities (continued)

A reconciliation of the current tax charge for the year for the Non-Technical Account to the charge that would result from applying the standard UK corporation tax rate to (loss) / profit before tax is given below:

	2004 £m	2003 £m
(Loss) / profit on ordinary activities before taxation	(465.9)	159.4
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(139.8)	47.8
Effects of:		
Net assets transferred to Scottish Widows	161.2	-
Differences on effective rate on Technical Account	-	10.9
Current tax charge	<u>21.4</u>	<u>58.7</u>

10. Investments

(a) Land and Buildings

	2004 Current Value £m	2004 Cost £m	2003 Current Value £m	2003 Cost £m
Long leasehold	-	-	-	0.2

The valuation included in the balance sheet in the prior year was carried out by Lloyds TSB Group's professionally qualified staff, who are members of the Institute of Chartered Surveyors, on the basis of open market value as an investment property.

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Notes to the Accounts (continued)

10(b) Other financial investments

	2004 Market Value £m	2004 Cost £m	2003 Market Value £m	2003 Cost £m
Shares and other variable yield securities	-	-	327.8	327.8
Debt securities and other fixed income securities	-	-	784.7	760.1
Other	3.3	3.3	51.8	51.8
	<u>3.3</u>	<u>3.3</u>	<u>1,164.3</u>	<u>1,139.7</u>

All investments in shares and other variable yield securities and all debt securities and other fixed income securities, were listed investments as at 31 December 2004 and 31 December 2003.

11. Assets held to cover linked liabilities

	2004 Current Value £m	2004 Cost £m	2003 Current Value £m	2003 Cost £m
Assets held to cover linked liabilities	-	-	6,629.2	6,553.1

12. Other debtors

	Note	2004 £m	2003 £m
Amounts owed by group undertakings		-	250.3
Other debtors		-	16.0
Deferred tax asset	14	-	48.0
		<u>-</u>	<u>314.3</u>

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Notes to the Accounts (continued)

13. Tangible assets

	Computers and equipment £m	Fixtures and other equipment £m	Total £m
Cost			
At 1 January 2004	31.9	14.5	46.4
Transfer out on 31 December 2004	(31.9)	(14.5)	(46.4)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation			
At 1 January 2004	26.7	13.6	40.3
Charge for the year	1.9	0.3	2.2
Transfer out on 31 December 2004	(28.6)	(13.9)	(42.5)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2003	<u>5.2</u>	<u>0.9</u>	<u>6.1</u>

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Notes to the Accounts (continued)

14. Deferred tax asset

	2004 £m	2003 £m
Accelerated capital allowances	-	(0.1)
Deferred acquisition costs	-	5.3
Pension losses	-	105.7
Other timing differences	-	(37.8)
Undiscounted tax asset	-	73.1
Discount	-	(25.1)
Discounted tax asset	-	48.0
Changes in the provision are as follows		
Balance at 1 January	48.0	65.3
Deferred tax charge recognised in the year	(40.9)	(17.3)
Transfer out on 31 December 2004	(7.1)	-
Balance at 31 December	-	48.0

15. Called-up share capital

	2004 £m	2003 £m
Authorised, allotted and issued fully paid: 16 million (2003: 16 million) ordinary shares of £1 each	16.0	16.0

16. Reconciliation of movement in Shareholder's Funds

	Share Capital £m	Other reserves £m	Profit and Loss account £m	Total £m
Balance at 1 January 2004	16.0	44.0	430.6	490.6
Profit for the financial year	-	-	(487.3)	(487.3)
Balance at 31 December 2004	16.0	44.0	(56.7)	3.3

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Notes to the Accounts (continued)

17. Technical provisions

	Claims Outstanding £m	Long Term Business Provision £m	Technical Provisions For Linked Liabilities £m
(a) Gross technical provisions			
Balance at 1 January 2004	64.9	955.6	6,631.3
Movement for the year	(64.9)	(955.6)	(6,631.3)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
(b) Reinsurers' share			
Balance at 1 January 2004	-	12.6	2.1
Movement for the year		(12.6)	(2.1)
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
(c) Net technical provisions			
Balance at 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 1 January 2004	<u>64.9</u>	<u>943.0</u>	<u>6,629.2</u>

18. Long term business provision

The principal assumptions underlying the calculation of the long term business provision were as follows:

Class of business	Interest rate % 2004	Interest rate % 2003
With profit business:		
Endowment plus assurances	-	2.80
Other assurances	-	2.80
Non profit business:		
Life temporary assurances	-	3.40
Pension temporary assurances	-	4.25
Endowment assurances	-	3.40
Whole of life assurances	-	3.40
Guaranteed bonus bonds	-	3.71
Pension annuities in payment	-	4.68
Permanent health insurance claims in payment	-	4.39

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Notes to the Accounts (continued)

18. Long term business provision (continued)

The following mortality assumptions for 2003 (for the main classes of business) were based on the actual experience of the portfolio as well as relevant industry statistics:

<i>Assurances:</i>	AM80 ult for males with an addition of 60% to the mortality rate for smokers and a deduction of 20% for non-smokers. AF80 ult for females with an addition of 60% to the mortality rate for smokers and a deduction of 20% for non-smokers.
<i>Pensions annuities in payment:</i>	145% PMA92 (entry in 2004) <i>mc</i> for males, 85% PFA92 (entry in 2004) <i>mc</i> for females. (2002 : 100% PMA92 (entry in 2003) for males, 80% PFA92 (entry in 2003) for females).

Cost of Bonuses

The cost of bonuses for the year, including terminal bonuses, totalled £nil (2003 : £0.8m).

19. Other creditors including taxation and social security

	2004 £m	2003 £m
Amounts owed to Group undertakings	-	2.1
Other creditors	-	27.4
	<u>-</u>	<u>29.5</u>

20. Assets attributable to the long term business funds

The total assets shown on page 8 include no assets attributable to the long-term business funds of the Company (2003: £7,924.4m).

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Notes to the Accounts (continued)
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21. Related party transactions

Advantage has been taken of the exemption under Financial Reporting Standard 8 (FRS 8) not to disclose transactions between entities 90% or more of whose voting rights are controlled within the Lloyds TSB group, of which the Company is a member.

No contract of significance existed at any time during the period in which a Director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 8 "Related Party Disclosures".

There were no other material transactions by the Company with related parties for the year ended 31 December 2004.

22. Parent undertaking

The Company's immediate parent undertaking is Scottish Widows plc, a Company registered in the United Kingdom. Scottish Widows plc has taken advantage of the provisions of the Companies Act 1985 and has not produced consolidated accounts.

Lloyds TSB Group plc is regarded by the Directors as the ultimate parent company and ultimate controlling party of Lloyds TSB Life Assurance Company Limited. Copies of the Lloyds TSB Group plc accounts, in which the Company is consolidated, can be obtained from the Group Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.