

**LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED**

**REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2008**

**Registered Number:**  
**1628564**

**Registered Office:**

**Charlton Place  
Andover  
Hampshire  
SP10 1RE**

**Directors:**

**A G Kane (Chairman)  
P D Loney (Managing Director)  
S J Hughes**

**Company Secretary:**

**S N Slattery**

**Member of Lloyds Banking Group (Formerly Lloyds TSB Group)**

THURSDAY



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# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## DIRECTORS' REPORT

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Lloyds TSB General Insurance Holdings 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

The Company is a holding company and its subsidiaries provide general insurance services.

The directors are satisfied with the levels of business of its subsidiaries and expect the dividend stream from its subsidiaries to be maintained with their continued focus on the existing core lines of business.

### Results and dividends

The profit after taxation for the year ended 31 December 2008 amounted to £179.395m as set out in the income statement on page 6 (2007: £121.970m). A dividend of £112m was paid during the year in respect of 2007 (£121m during 2007 in respect of 2006). The directors recommend a dividend of £181m in respect of 2008, to be paid in 2009.

### Key Performance Indicators ('KPIs')

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for the understanding of the development, performance or position of the business.

### 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:

A B Lenman	Resigned	2 October 2008
S J Hughes	Appointed	2 October 2008

### Policy and practice on payment of creditors

The Company follows "The Better Payment Practice Code" published by the Department of Business, Enterprise and Regulatory Reform (BERR), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from The BERR Publications Orderline 0845 0150010 quoting ref URN 04/606.

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 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 2008, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2007: nil).

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

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### Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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 that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 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.

### Risk

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

### Charitable and political donations

The company has made no charitable or political donations during the year (2007: nil).

### Auditors

In so far as each director in office at the date the directors report is approved is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



S J Hughes  
Director  
18 February 2009

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

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We have audited the financial statements of Lloyds TSB General Insurance Holdings Limited for the year ended 31 December 2008 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement, on pages 5 to 8 and the related notes on pages 9 to 19. 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

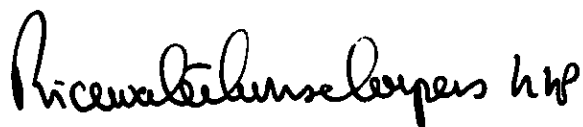
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Southampton  
19 February 2009

**LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED**  
**BALANCE SHEET**

**AS AT 31 DECEMBER 2008**

(All amounts in £ thousands unless otherwise stated)

	Note	2008	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	4	123,954	123,954
		<u>123,954</u>	<u>123,954</u>
<b>Current assets</b>			
Trade and other receivables	6	139,494	139,349
Cash and cash equivalents	7	170,832	103,451
		<u>310,326</u>	<u>242,800</u>
<b>Total assets</b>		<u>434,280</u>	<u>366,754</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Company's equity holder</b>			
Ordinary share capital	8	156,558	156,558
Other reserves	9	302	302
Retained earnings	10	276,056	208,661
<b>Total equity</b>		<u>432,916</u>	<u>365,521</u>
<b>Current liabilities</b>			
Trade and other payables	11	808	817
Income tax liability		556	416
<b>Total liabilities</b>		<u>1,364</u>	<u>1,233</u>
<b>Total equity and liabilities</b>		<u>434,280</u>	<u>366,754</u>

The notes on pages 9 to 19 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 18 February 2009 and were signed on its behalf by:



S J Hughes  
Director

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in £ thousands unless otherwise stated)

	Note	2008	2007
Investment income	12	<u>179,951</u>	<u>122,385</u>
<b>Operating profit and profit before income tax</b>		179,951	122,385
Income tax expense	13	<u>(556)</u>	<u>(415)</u>
<b>Profit for the year attributable to equity holder of the Company</b>		<u>179,395</u>	<u>121,970</u>

All the amounts above are in respect of continuing operations.

The notes on pages 9 to 19 form an integral part of these financial statements.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in £ thousands unless otherwise stated)

		Attributable to the equity holder of the Company			
	Note	Share capital	Other reserves	Retained earnings	Total equity
<b>Year ended 31 December 2007</b>					
At beginning of year		156,558	302	207,691	364,551
Profit for the year and total recognised income for 2007		-	-	121,970	121,970
Dividends paid	14	-	-	(121,000)	(121,000)
<b>At end of year</b>	<b>8,9,10</b>	<b>156,558</b>	<b>302</b>	<b>208,661</b>	<b>365,521</b>
<b>Year ended 31 December 2008</b>					
At beginning of year		156,558	302	208,661	365,521
Profit for the year and total recognised income for 2008		-	-	179,395	179,395
Dividends paid	14	-	-	(112,000)	(112,000)
<b>At end of year</b>	<b>8,9,10</b>	<b>156,558</b>	<b>302</b>	<b>276,056</b>	<b>432,916</b>

The notes on pages 9 to 19 form an integral part of these financial statements.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## CASH FLOW STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2008**

(All amounts in £ thousands unless otherwise stated)

	<b>Note</b>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	(9)	649
Income tax paid		(416)	(52)
Net cash from operating activities		<u>(425)</u>	<u>597</u>
<b>Cash flows from investing activities</b>			
Interest received		1,806	1,515
Dividends received	12	178,000	121,000
Net cash generated from investing activities		<u>179,806</u>	<u>122,515</u>
<b>Cash flows from financing activities</b>			
Dividends paid to Company equity holder		(112,000)	(121,000)
Net cash used in financing activities		<u>(112,000)</u>	<u>(121,000)</u>
<b>Net increase in cash and cash equivalents</b>		67,381	2,112
Cash and cash equivalents at beginning of year	7	103,451	101,339
<b>Cash and cash equivalents at end of year</b>	7	<u>170,832</u>	<u>103,451</u>

The notes on pages 9 to 19 form an integral part of these financial statements.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

(All amounts in £ thousands unless otherwise stated)

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### 1 General information

Lloyds TSB General Insurance Holdings Limited acts as a holding company for companies that provide general insurance services.

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### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') and the International Financial Reporting Interpretations Committee ('IFRIC') and also with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas where assumptions and estimates are significant to the financial statements.

These separate financial statements contain information about Lloyds TSB General Insurance Holdings Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', exempting the Company from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent Company.

#### *Standards, amendments and interpretations effective in 2008*

The following IFRS pronouncements relevant to the Company have been adopted in these financial statements:

- IAS 39 (Amendment) and IFRS 7 (Amendment), 'Reclassification of financial assets'. These amendments, effective from 1 July 2008, permit reclassification of certain non-derivative financial assets recognised in accordance with IAS 39. Financial liabilities, derivatives and financial assets that are designated as at Fair Value Through Profit and Loss (FVTPL) on initial recognition under the 'fair value option' cannot be reclassified. These amendments do not have any impact on the Company's financial statements because it does not hold any financial assets affected by this amendment.

**NOTES TO THE ACCOUNTS (continued)**

(All amounts in £ thousands unless otherwise stated)

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**2 Summary of significant accounting policies (continued)**

**2.1 Basis of presentation (continued)**

*Standards and interpretations issued but not yet effective*

The following pronouncements may be relevant to the Company but were not effective at 31 December 2008 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company; however, the initial view is that none of these pronouncements is expected to cause any material adjustments to reported numbers in the financial statements.

- IAS 1 (Revised) 'Presentation of financial statements' (effective from 1 January 2009); and
- Amendments that are part of the IASB's annual improvement project published in May 2008, including amendments to IFRS 7, 'Financial instruments: Disclosures'; IAS 8, 'Accounting policies, changes in accounting estimates and errors'; IAS 10, 'Events after the reporting period'; IAS 18, 'Revenue'; and IAS 36, 'Impairment of assets'.

**2.2 Segment reporting**

As a non-publicly traded company (wholly-owned by Lloyds Banking Group plc (formerly Lloyds TSB Group plc)), the Company has chosen not to disclose segmental information.

**2.3 Investments in subsidiary undertakings**

The Company's investments in subsidiaries are included at cost less provisions for diminution in value, which are charged to the income statement.

At each balance sheet date, the Company reviews the carrying amounts of its investments in subsidiary undertakings to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

**2.4 Financial Assets**

The Company categorises all its financial assets other than cash and cash equivalents as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are classified as 'Trade and other receivables' in the balance sheet. All loans and receivables are initially recognised at fair value and subsequently at amortised cost less any provision for impairment.

**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 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.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

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### 2 Summary of significant accounting policies (continued)

#### 2.7 Investment income

Interest income received from deposits and loans 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.

Under IFRS, dividends receivable from subsidiaries are only reflected through the income statement when approved.

#### 2.8 Dividend distribution

Dividend distribution to the Company's equity shareholder is recognised through equity in the period in which the dividend is paid.

#### 2.9 Share capital

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

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### 3 Management of financial risk

The Company's activities expose it to a variety of risks although the directors consider the only significant area of financial risk to be market risk arising from its short-term deposits.

#### 3.1 Risk governance

The board of directors bears responsibility for the management of risk in the Company including approval of documented financial risk policies and risk appetite limits as well as monitoring of adherence to risk policies. Risk management activities are delegated to the risk committee, which in turn delegates authority to the relevant business area directors. Oversight is carried out by the business risk management function which acts independently.

#### 3.2 Market risk

The only market risk exposure for the Company is interest rate risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through holding cash and cash equivalents in short term deposits with maturities of less than 3 months only. The Company's only significant interest bearing assets are cash holdings, which are subject to a degree of risk resulting from fluctuations in interest rates. A decrease in interest rates of 100 basis points would decrease the Company's income by £0.5m otherwise the Company is protected from market risk.

#### 3.3 Credit risk

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

The Company considers credit risk to be insignificant as any credit risk exposure arising would be with fellow subsidiary companies of Lloyds Banking Group only.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

### 3 Management of financial risk (continued)

#### 3.4 Liquidity risk

The main objective of the Company's liquidity risk policy is to ensure that all funds within the Company that serve to fulfil liabilities are available in sufficiently liquid form to settle liabilities as and when they fall due. The Company only holds short term cash deposits which are viewed as readily available at short notice and highly liquid. The Company therefore considers liquidity risk to be insignificant.

#### 3.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital is defined by the Company as the 'Total equity' amount as shown on the balance sheet.

In order to maintain or adjust the capital structure to meet the objectives above, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares, sell assets or raise debt.

### 4 Investments in subsidiary undertakings

	2008	2007
<b>Cost</b>		
At 1 January and 31 December	123,970	123,970
<b>Revaluations/provisions for diminution in value</b>		
At 1 January and 31 December	(16)	(16)
<b>Net book value</b>		
31 December	<u>123,954</u>	<u>123,954</u>

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

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### 4 Investments in subsidiary undertakings (continued)

The Company has a 100% holding in the issued ordinary share capital of each of the following subsidiaries all of which are incorporated in the United Kingdom:

AIC Services Limited	Non-trading
Ambassador Insurance Company Limited	Non-trading
Lloyds TSB General Insurance Limited	General insurance underwriting
Lloyds TSB Insurance Services Limited	General insurance intermediary
Lloyds TSB Insurance Services (Direct) Limited *	Administration services for Lloyds TSB Insurance Services Limited
TSB Financial Services Limited	Non-trading
TSB General Insurance Services Limited	Non-trading
TSB Properties (Andover) Limited	Non-trading

\* denotes indirect subsidiary.

The year end of all subsidiaries is 31 December and their country of principle operations (where relevant) is the United Kingdom.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

### 5 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

<b>31 December 2008</b>	<b>Loans and receivables</b>	<b>Total</b>
<b>Assets as per balance sheet</b>		
Trade and other receivables	139,494	139,494
Cash and cash equivalents	170,832	170,832
<b>Total</b>	<b>310,326</b>	<b>310,326</b>

	<b>Other liabilities at amortised cost</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>		
Trade and other payables	808	808
<b>Total</b>	<b>808</b>	<b>808</b>

<b>31 December 2007</b>	<b>Loans and receivables</b>	<b>Total</b>
<b>Assets as per balance sheet</b>		
Trade and other receivables	139,349	139,349
Cash and cash equivalents	103,451	103,451
<b>Total</b>	<b>242,800</b>	<b>242,800</b>

	<b>Other liabilities at amortised cost</b>	<b>Total</b>
<b>Liabilities as per balance sheet</b>		
Trade and other payables	817	817
<b>Total</b>	<b>817</b>	<b>817</b>

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

<b>6</b>	<b>Trade and other receivables</b>	<b>2008</b>	<b>2007</b>
	Due from subsidiary undertakings	2,000	2,000
	Due from other group companies	137,331	137,331
	Accrued interest	163	18
	<b>Total trade and other receivables</b>	<b>139,494</b>	<b>139,349</b>

All trade and other receivables are stated at fair value and are deemed to be available within one year.

<b>7</b>	<b>Cash and cash equivalents</b>	<b>2008</b>	<b>2007</b>
	Cash at bank and in hand	-	100,169
	Short-term bank deposits	170,832	3,282
	<b>Total cash and cash equivalents</b>	<b>170,832</b>	<b>103,451</b>

The effective rate on short-term bank deposits all of which were call deposit accounts was 4.92% (2007: 4.60%).

<b>8</b>	<b>Share capital</b>	<b>2008</b>	<b>2007</b>
	<b>Ordinary shares</b>		
	At 1 January and 31 December		
	Authorised, issued and fully paid – 156,558,100 shares of £1 each	156,558	156,558
		<b>156,558</b>	<b>156,558</b>

The ordinary 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.

<b>9</b>	<b>Other reserves</b>	<b>2008</b>	<b>2007</b>
	At 1 January and 31 December	302	302

Other reserves represent a capital contribution from the Company's holding company which is not repayable but which forms part of the Company's distributable reserves.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

### 10 Retained Earnings

	2008	2007
<b>Profit and loss reserves</b>	<u>276,056</u>	<u>208,661</u>

The retained earning balance represents the amount available for dividend distribution to the equity shareholder of the Company.

### 11 Trade and other payables

	2008	2007
Due to subsidiary undertakings	<u>808</u>	<u>817</u>

All trade and other payables are payable on demand.

### 12 Investment income

	2008	2007
Cash and cash equivalents interest income	1,951	1,467
Cash and cash equivalents interest expense	-	(82)
Dividends from subsidiary companies	178,000	121,000
	<u>179,951</u>	<u>122,385</u>

All interest income and interest expense arises from accounts held with a fellow Group subsidiary.

Dividends received from Lloyds TSB General Insurance Limited	153,000	71,000
Dividend received from Lloyds TSB Insurance Services Limited	25,000	50,000
	<u>178,000</u>	<u>121,000</u>

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

### 13 Income tax expense

	2008	2007
Current income tax		
- on profits for the year	556	415
	<u>556</u>	<u>415</u>

The charge for taxation on the profit for the year is based on an effective United Kingdom corporation taxation rate of 28.5% (2007: 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:

	2008	2007
Profit before tax	<u>179,951</u>	<u>122,385</u>
Tax charge at effective UK corporation tax rate of 28.5% (2007: 30%)	51,286	36,715
Relief on group dividends received	(50,730)	(36,300)
<b>Tax charge for the year</b>	<u>556</u>	<u>415</u>

### 14 Dividend per share

The dividends paid in 2008, in respect of 2007 were £112m (£0.72 per share) (2007: £121m in respect of 2006 (£0.77 per share)).

The directors recommend a dividend of £181m in respect of 2008, to be paid in 2009.

### 15 Cash generated from operations

	2008	2007
<b>Cash flow from operating activities</b>		
Profit before finance costs and income tax	179,951	122,385
Adjustments for:		
Investment income	<u>(179,951)</u>	<u>(122,385)</u>
	-	-
(Decrease)/increase in trade and other payables	<u>(9)</u>	<u>649</u>
<b>Cash (used by)/generated from operations</b>	<u>(9)</u>	<u>649</u>

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

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### 16 Contingencies and commitments

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

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### 17 Share based payments

The Company has no employees and therefore no charge has been made to the income statement in respect of share based payments.

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### 18 Related party transactions

There were no related party transactions resulting from the provision of goods or services, other than those already disclosed.

The immediate parent undertaking is Lloyds TSB Bank plc.

The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, 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 Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

	2008	2007
Amounts receivable from fellow Group undertakings	<u>137,331</u>	<u>137,331</u>
Amounts payable to subsidiary undertakings	<u>808</u>	<u>817</u>

All cash and cash equivalents are placed with Lloyds TSB Bank Plc.

# LLOYDS TSB GENERAL INSURANCE HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

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### 19 Directors' remuneration and staff costs

No remuneration was paid or is payable by the Company to the directors (2007: nil). The directors are employed by other companies in the Lloyds Banking Group and consider that their services to this Company are incidental to their other activities within the group.

The Company does not directly employ any staff. Any staff costs incurred by the Company have been borne by Lloyds TSB Insurance Services Limited, a subsidiary of the Company, and have been disclosed in that Company's accounts.

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### 20 Auditor's remuneration

The auditor's remuneration of £15,000 has been borne by Lloyds TSB Insurance Services Limited, a subsidiary of the Company.