

TSB FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND ACCOUNTS 2005

Registered number

2079683

Registered office

Charlton Place
Andover
Hampshire SP10 1RE

Directors

G J Cummins
N V Moss

Company Secretary

Sharon Garrard



Member of Lloyds TSB Group

TSB FINANCIAL SERVICES LIMITED

Report of the directors

Principal activity

The company has ceased trading, the only activity of the company has been the receipt of bank interest and this position is expected to continue in the future.

Results

The profit after taxation for the year ended 31 December 2005 was £3,000 (2004: £3,000) as set out in the income statement on page 6.

No dividend was paid or proposed during 2005 (2004: nil).

Directors

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

The following changes in directors have taken place during the year and since the balance sheet date:

	Appointed	Resigned
J McConville	21 July 2005	13 March 2006
C Cameron		21 July 2005
N V Moss	10 November 2005	
R J Whatford		10 November 2005
G J Cummins	13 March 2006	

Directors' interests

The interests of the directors of the company at the end of the year, in the capital of Lloyds TSB Group plc were:

Ordinary shares of 25p each:

	As at 31 December 2005	As at 1 January 2005 (or later date of appointment)
J McConville	46,987	36,121
N V Moss	4,789	4,789

Options to acquire ordinary shares of 25p each:

	As at 1 January 2005 (or later date of appointment)	Granted	Exercised	Lapsed	As at 31 December 2005
J McConville	477,619	-	9,750	-	467,869
N V Moss	478,834	-	-	-	478,834

Financial risk management

Full disclosure of the company's financial risk management policies is given in note 2 to the financial statements.

TSB FINANCIAL SERVICES LIMITED

Report of the directors

Responsibilities of directors

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 judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have responsibility for ensuring that the company keeps 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these accounts comply with the aforementioned requirements.

Policy and practice on payment of creditors

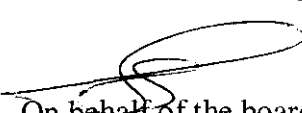
The company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding payments to suppliers, information about it may be obtained from the DTI publication orderline 0845 0150 010 quoting reference URN 04/606.

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 the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the company owed no amounts to trade creditors at 31 December 2005, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2004: nil).

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution re-appointing them as auditors and authorising the directors to set their remuneration will be proposed at the annual general meeting of Lloyds TSB Group plc.



On behalf of the board.
N V Moss
Director

31 | 3 | 2006

TSB FINANCIAL SERVICES LIMITED

Independent auditors report

To the shareholder of TSB Financial Services Limited

We have audited the financial statements of TSB Financial Services Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity and the related notes. 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.

TSB FINANCIAL SERVICES LIMITED

Independent auditors report (continued)

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

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Bristol

4 September 2006

TSB FINANCIAL SERVICES LIMITED

Income statement for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Administrative expenses	3	(2)	(2)
Interest and similar income	4	6	6
Profit before tax		<u>4</u>	<u>4</u>
Taxation	5	(1)	(1)
Profit for the year		<u>3</u>	<u>3</u>

The results for the year are wholly attributable to continuing activities.

The accompanying notes are an integral part of the financial statements.

TSB FINANCIAL SERVICES LIMITED

Balance sheet at 31 December 2005

	Notes	2005 £'000	2004 £'000
Current assets			
Cash and cash equivalents	6	<u>182</u>	<u>176</u>
Total assets		<u>182</u>	<u>176</u>
Current liabilities			
Amount owed to other group company	9	(2)	(2)
Current tax liability		(4)	(3)
Other current payables		<u>(12)</u>	<u>(10)</u>
		(18)	(15)
Net current assets		<u>164</u>	<u>161</u>
Equity			
Share capital	7	120	120
Retained earnings	8	<u>44</u>	<u>41</u>
Total shareholders' equity		<u>164</u>	<u>161</u>

The directors approved the accounts on 31 | 8 | 2006.


N V Moss
Director

The accompanying notes are an integral part of the financial statements.

TSB FINANCIAL SERVICES LIMITED

Statement of changes in equity for the year ended 31 December 2005

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2004 *	120	38	158
Profit for the year	-	3	3
Balance at 31 December 2004 and 1 January 2005 *	120	41	161
Profit for the year	-	3	3
Balance at 31 December 2005	120	44	164

* There were no differences between equity under UK GAAP and IFRS at 1 January 2004 and 31 December 2004 and there have been no adjustments as a result of IAS 32 and IAS 39 (see note 11).

The accompanying notes are an integral part of the financial statements.

TSB FINANCIAL SERVICES LIMITED

Cash flow statement for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Cash flows from operating activities:			
Cash generated from operations	10	-	-
Net cash from operating activities		-	-
Cash flows from investing activities:			
Interest received		6	6
Net cash generated by investing activities		6	6
Change in cash and cash equivalents		6	6
Cash and cash equivalents at beginning of year		176	170
Cash and cash equivalents at end of year		182	176

The accompanying notes are an integral part of the financial statements.

TSB FINANCIAL SERVICES LIMITED

Notes to the financial statements (continued)

1 Accounting policies

The principal 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 ('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.

The financial statements have been prepared under the historical cost convention.

Further details on the implementation of IFRS for the company are given in note 11.

(a) Revenue recognition

Interest income is recognised in the income statement for all interest-bearing financial instruments, using the effective interest rate method.

(b) Income taxes

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

(c) Cash and cash equivalents

Cash and cash equivalents is carried at cost and comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Financial risk management

The directors are responsible for establishing a framework for evaluating, measuring, monitoring and controlling risk. They are responsible for ensuring that the risks within the business are identified, assessed, monitored and controlled. These controls and procedures where relevant comply with Lloyds TSB Group policies and standards.

The company has no interest bearing assets from third party counterparties. No deposits are placed outside of the Lloyds TSB Group. The company holds no foreign currency assets or liabilities. The company, therefore, has no significant exposure to credit, currency or interest rate risks.

The company operates exclusively in the UK and has no significant geographical sector risk concentration. The company maintains assets in the form of cash and cash equivalents which are sufficient to cover its obligations as they fall due.

3 Administrative expenses

The company does not directly employ any staff. Auditor's remuneration of £2,000 (2004: £2,000) is included in administrative expenses.

TSB FINANCIAL SERVICES LIMITED

Notes to the financial statements (continued)

4 Interest and similar income

Interest income of £6,000 (2004: £6,000) is derived from Lloyds TSB Bank plc.

5 Taxation

	2005 £'000	2004 £'000
a) Analysis of charge for the year		
UK corporation tax – current year	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

The charge for tax on the profit for the year is based on a UK corporation tax rate of 30 per cent (2004: 30 per cent).

b) Factors affecting the tax charge for the year

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

	2005 £'000	2004 £'000
Profit before tax	<u>4</u>	<u>4</u>
Tax charge thereon at UK corporation tax rate of 30%	<u>1</u>	<u>1</u>
Tax on profit on ordinary activities	<u>1</u>	<u>1</u>
Effective rate	30%	30%

6 Cash and cash equivalents

Cash and cash equivalents comprises amounts which are placed on deposit at commercial rates of interest with Lloyds TSB Bank plc, a parent company. The fair value of cash and cash equivalents is equal to their carrying amounts.

TSB FINANCIAL SERVICES LIMITED

Notes to the financial statements (continued)

7 Share capital

	2005 £'000	2004 £'000
Authorised:		
120,000 (2004: 120,000) Ordinary shares of £1 each	<u>120</u>	<u>120</u>

	2005 Number of shares	2004 Number of shares	2005 £'000	2004 £'000
Issued and fully paid:				
Ordinary shares of £1 each				
At 1 January	120,000	120,000	120	120
Issued during the year	-	-	-	-
At 31 December	<u>120,000</u>	<u>120,000</u>	<u>120</u>	<u>120</u>

8 Retained profit

	2005 £'000	2004 £'000
At 1 January	41	38
Profit for the year	3	3
At 31 December	<u>44</u>	<u>41</u>

9 Related party transactions

TSB Financial Services Limited is incorporated and domiciled in the UK. The company's immediate parent company is Lloyds TSB General Insurance Holdings Limited which is incorporated and domiciled in the UK. The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member. Lloyds TSB Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN.

The company's related parties include the ultimate and immediate parent companies, other companies in the Lloyds TSB Group, pension schemes of the company's ultimate parent company 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.

TSB FINANCIAL SERVICES LIMITED

Notes to the financial statements (continued)

9 Related party transactions (continued)

Transactions with key management personnel

There were no transactions between the company with key management personnel during the current or preceding year.

Key management personnel are employed by other companies in the Lloyds TSB Group and consider that their services to the company are incidental to their other activities within the group (2004: nil).

Interest income earned from other group company

The interest income earned from Lloyds TSB Bank plc during the year is disclosed in note 4.

Amount owed to other group company

	Parent company £'000	Total £'000
At 31 December 2004 and 31 December 2005	<u>2,000</u>	<u>2,000</u>
Representing:		
Lloyds TSB General Insurance Holdings Limited		<u>2,000</u>

Amount owed to other group company is repayable on demand is non-interest bearing. The fair value of amount owed to other group company is equal to its carrying amount. There was no movement in amount owed to other group company during 2004 and 2005.

10 Reconciliation of operating profit to net cash inflow from operating activities

	2005 £'000	2004 £'000
Profit after tax	3	3
Tax charge	<u>1</u>	<u>1</u>
Profit before tax	4	4
Adjustments for:		
Interest income	(6)	(6)
Changes in working capital		
Decrease in debtors	-	1
Increase in other current payables	<u>2</u>	<u>1</u>
Net cash from operating activities	<u>-</u>	<u>-</u>

TSB FINANCIAL SERVICES LIMITED

Notes to the financial statements (continued)

11 Adoption of International Financial Reporting Standards

The rules for first time adoption of IFRS are set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards*. On 1 January 2004, the date of transition, the opening IFRS balance sheet position has been determined in accordance with IFRS 1 which, with certain exceptions and exemptions detailed below, requires IFRS accounting policies to be applied on a retrospective basis. Details of the IFRS accounting policies are set out in note 1. IFRS 1 prescribes a number of mandatory exceptions and voluntary exemptions and the impact of each mandatory exception and the voluntary exemptions that the company chooses to apply are outlined below.

Mandatory exception	Impact
Estimates	The company's estimates at the date of transition are consistent with those under UK GAAP.
Assets held for sale and discontinued operations	The company has no transactions prior to 1 January 2005 that are affected by the transitional requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".
Derecognition of financial instruments	Financial instruments derecognised before 1 January 2004 have not been re-recognised by the company under IFRS. No financial instruments were derecognised before 1 January 2004 or subsequently.
Hedge accounting	The company has no transactions that require IFRS compliant hedge accounting.
Voluntary exemption	
Restatement of comparatives	IFRS 1 allows the comparatives to exclude the impacts of IAS 32 and IAS 39, for which the transition date is 1 January 2005. There was no impact from either of these standards on the financial statements for either the current or prior year.

IFRS differs in certain respects from the company's previous accounting policies, which complied with UK Generally Accepted Accounting Principles ('UK GAAP'). Set out below are explanations and reconciliations showing the effect of the adoption of IFRS upon key balance sheet and income statement items.

Accounting changes effective from 1 January 2004 and affecting comparatives:

There are no differences between IFRS effective from 1 January 2004 and the company's previous accounting policies, which complied with UK GAAP.

Accounting changes effective from 1 January 2005 not affecting comparatives:

Financial instruments (IAS 32/39)

There were no amendments to the 31 December 2004 amounts as a result of the adoption of IAS 32 or IAS 39.