

TSB GENERAL INSURANCE SERVICES LIMITED

REPORT AND ACCOUNTS FOR YEAR ENDED 31 DECEMBER 2008

Registered Number:
2376164

Registered Office:

**Charlton Place
Andover
Hampshire
SP10 1RE**

Directors:

**P D Loney (Managing Director)
S J Hughes**

Company Secretary:

S Mayer

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

THURSDAY



AYZE1B74

A57

02/07/2009

5

COMPANIES HOUSE

TSB GENERAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

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

Principal activity and business review

During the year ended 31 December 2008, the Company did not trade. Its only transaction in the income statement was a tax charge in respect of prior years.

Results and dividends

The loss after taxation for the year ended 31 December 2008 amounted to £1,000 as set out in the income statement on page 6 (2007: profit £20,000). The directors do not recommend a dividend in respect of 2008 (2007: £nil).

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 an 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:

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

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.

TSB GENERAL INSURANCE SERVICES LIMITED

DIRECTORS' REPORT (continued)

Risk

From the perspective of the Company, the significant areas of financial risk are integrated with the significant areas of financial risk of the immediate parent and are not managed separately. Accordingly, the significant areas of financial risk of the Lloyds TSB General Insurance Holdings Limited group, which include those of the Company, are discussed on page 3 of the immediate parent's annual report which does not form part of this report.

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
8 June 2009

TSB GENERAL INSURANCE SERVICES LIMITED

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

We have audited the financial statements of TSB General Insurance Services Ltd for the year ended 31 December 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 15. 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

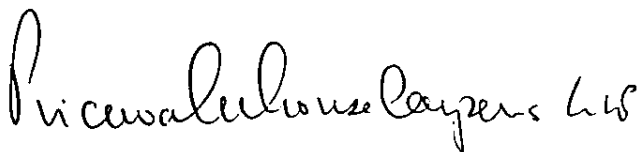
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 31st December 2008 and of its loss 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
8 June 2009

TSB GENERAL INSURANCE SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

(All amounts in £ thousands unless otherwise stated)

| | Note | 2008 | 2007 |
|---|------|------------|------------|
| ASSETS | | | |
| Current assets | | | |
| Trade and other receivables | 5 | 556 | 565 |
| Total assets | | <u>556</u> | <u>565</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to the Company's equity holder | | | |
| Ordinary share capital | 6 | - | - |
| Retained earnings | 7 | 556 | 557 |
| Total equity | | <u>556</u> | <u>557</u> |
| Current liabilities | | | |
| Income tax liability | | - | 8 |
| Total liabilities | | <u>-</u> | <u>8</u> |
| Total equity and liabilities | | <u>556</u> | <u>565</u> |

The notes on pages 9 to 15 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 8 June 2009 and were signed on its behalf by:



S J Hughes
Director

TSB GENERAL INSURANCE SERVICES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in £ thousands unless otherwise stated)

| | Note | 2008 | 2007 |
|---|------|------|------|
| Interest income | 8 | - | 28 |
| Profit before income tax | | - | 28 |
| Income tax expense | 9 | (1) | (8) |
| (Loss)/profit for the year attributable to the equity holder of the Company | | (1) | 20 |

All the amounts above are in respect of continuing operations.

The notes on pages 9 to 15 form an integral part of these financial statements.

TSB GENERAL INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

(All amounts in £ thousands unless otherwise stated)

| | | Attributable to the equity holder of the Company | | |
|--|-------------|--|-------------------|--------------|
| | Note | Share capital | Retained earnings | Total equity |
| Year ended 31 December 2007 | | | | |
| At beginning of year | | - | 537 | 537 |
| Profit for the year and total recognised income for 2007 | | - | 20 | 20 |
| At end of year | 6, 7 | - | 557 | 557 |
| Year ended 31 December 2008 | | | | |
| At beginning of year | | - | 557 | 557 |
| Loss for the year and total recognised income for 2008 | | - | (1) | (1) |
| At end of year | 6, 7 | - | 556 | 556 |

The notes on pages 9 to 15 form an integral part of these financial statements.

TSB GENERAL INSURANCE SERVICES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in £ thousands unless otherwise stated)

| | Note | 2008 | 2007 |
|--|-------------|-------------|--------------|
| Cash flows from operating activities | | | |
| Cash generated / (used) by operations | 10 | 9 | (565) |
| Income tax paid | | (9) | (4) |
| Net cash used by operating activities | | <u>-</u> | <u>(569)</u> |
| Cash flows from investing activities | | | |
| Interest received | | - | 30 |
| Net cash generated by investing activities | | <u>-</u> | <u>30</u> |
| Net decrease in cash and cash equivalents | | - | (539) |
| Cash and cash equivalents at beginning of year | | <u>-</u> | <u>539</u> |
| Cash and cash equivalents at end of year | | <u>-</u> | <u>-</u> |

The notes on pages 9 to 15 form an integral part of these financial statements.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS

(All amounts in £ thousands unless otherwise stated)

1 General information

During the year ended 31 December 2008, TSB General Insurance Services Limited did not trade. Its only income statement transaction was a charge for tax payable in respect of prior years. All business is transacted within the United Kingdom.

2 Summary of significant accounting policies

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

(a) Standards, amendment 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.

(b) 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);
- 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'; IAS 19, 'Employee benefits'; and IAS 36, 'Impairment of assets' (all effective from 1 January 2009).

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 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 Financial assets

The Company categorises all its financial assets 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.

2.4 Cash and cash equivalents

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

2.5 Share capital

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

2.6 Income tax

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

2.7 Interest income

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

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.9 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter at amortised cost.

2.10 Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter at amortised cost.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

3 Risk management

The principal risks of the Company are integrated with the principal risks of the immediate parent and are not managed separately. The directors consider financial risk to be minimal for the Company.

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 of the immediate parent, which in turn delegates authority to the relevant business area directors. Oversight is carried out by the business risk management function of the immediate parent which acts independently.

3.2 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate, because of changes in market prices.

The Company considers market risk to be minimal as its only significant financial assets are trade and other receivables due from its immediate parent.

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 minimal as any credit risk exposure arising would be with fellow subsidiary companies of Lloyds Banking Group only.

3.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company considers liquidity risk to be minimal as its only financial liabilities are trade and other payables due to related parties.

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.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

4 Financial instruments by category

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

| | Loans and receivables | Total |
|------------------------------------|--------------------------|------------|
| 31 December 2008 | | |
| Assets as per balance sheet | | |
| Trade and other receivables | 556 | 556 |
| Total | <u>556</u> | <u>556</u> |
| 31 December 2007 | | |
| Assets as per balance sheet | | |
| Trade and other receivables | 565 | 565 |
| Total | <u>565</u> | <u>565</u> |

5 Trade and other receivables

| | 2008 | 2007 |
|---|------------|------------|
| Loans and receivables: | | |
| - due from immediate parent undertaking (Note 12) | 556 | 565 |
| | <u>556</u> | <u>565</u> |

All trade and other receivables are stated at fair value, are considered as low credit risk and are available within one year.

6 Share capital

| | 2008 £ | 2007 £ |
|---|-----------|-----------|
| Ordinary shares | | |
| At 1 January and 31 December | | |
| Issued and fully paid – 2 shares of £1 each | <u>2</u> | <u>2</u> |

The total authorised number of equity shares is 1,000 (2007: 1,000) with a nominal value of £1 each.

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.

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

7 Retained earnings

| | 2008 | 2007 |
|------------------------|------------|------------|
| Profit & loss reserves | <u>556</u> | <u>557</u> |

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

8 Interest income

| | 2008 | 2007 |
|---|----------|-----------|
| Cash and cash equivalents interest income | <u>-</u> | <u>28</u> |

All interest income was generated from accounts placed with Lloyds TSB Bank plc.

9 Income tax expense

| | 2008 | 2007 |
|--------------------|----------|----------|
| Current income tax | | |
| - current year | - | 8 |
| - prior years | <u>1</u> | <u>-</u> |
| | <u>1</u> | <u>8</u> |

The charge for income taxation on the profit for the year is based on an effective United Kingdom corporation taxation rate of 28.5% (2007: 30%), as the standard corporation tax rate changed from 30% to 28% effective 1 April 2008.

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>-</u> | <u>28</u> |
| Tax charge at effective UK corporation tax rate of 28.5% (2007: 30%) | - | 8 |
| Adjustments in respect of prior years | <u>1</u> | <u>-</u> |
| Tax charge for the year | <u>1</u> | <u>8</u> |

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

10 Cash generated by operations

| | 2008 | 2007 |
|--|----------|--------------|
| Cash flow from operating activities | | |
| Profit before tax | - | 28 |
| Adjustments for: | | |
| Interest income | - | (28) |
| | - | - |
| Decrease/(increase) in amounts due from immediate parent undertaking | 9 | (565) |
| Cash generated/(used) by operations | 9 | (565) |

11 Contingencies and commitments

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

12 Related-party transactions

The Company's immediate parent company is Lloyds TSB General Insurance Holdings Limited. The Company regarded by the directors as the ultimate parent company is Lloyds 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.

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

Transactions with key management

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

No remuneration was paid or is payable by the Company to the directors (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.

No director exercised share options (2007: None).

TSB GENERAL INSURANCE SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

(All amounts in £ thousands unless otherwise stated)

12 Related-party transactions (continued)

Transactions with other related parties

Year-end balances arising from transactions with other related parties

| | 2008 | 2007 |
|---|------------|------------|
| Receivables from related parties (Note 5) | | |
| - immediate parent undertaking | <u>556</u> | <u>565</u> |

13 Staff costs

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

14 Auditor's remuneration

The auditor's remuneration of £nil (2007: £3,000) has been borne by a fellow subsidiary, Lloyds TSB Insurance Services Limited, and has been disclosed in that company's accounts.