TSB FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2007

Registered number

2079683

Registered office

Charlton Place
Andover
Hampshire
SP10 1RE

Directors

A D Briggs
J McConville

Company secretary

Sharon Garrard

Member of Lloyds TSB Group

REPORT OF THE DIRECTORS

Business review and principal activity

During the year ended 31 December 2007, the company did not trade or incur any liabilities and consequently has made neither profit nor loss (2006 profit of £4,000) as set out in the income statement on page 5

No dividend was paid or proposed during 2007 (2006 nil)

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB group and are not managed separately Full disclosure of the company's financial risk management objectives and policies are given in note 4 to the financial statements

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 current directors are shown on page 1

The following changes in directors took place during the year and since the year end

	Appointed	Resigned
A D Briggs	8th January 2007	
J McConville	10th January 2008	
N V Moss		8th January 2007
G J Cummins		10th January 2008

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

REPORT OF THE DIRECTORS (continued)

Policy and practice on payment of creditors

The company follows "The Better Payment Practice Code" published by the Department for Business, Enterprise and Regulartoy Reform (BERR) regarding payments to suppliers, information about it may be obtained from the BERR 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 2007, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2006 nil)

Auditors and audit information

Each person who was a director at the date of approval of this report confirms that, so far as the director 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 he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information This confirmation is given, and should be interpreted, in accordance with section 234ZA of the Companies Act 1985

On behalf of the board

A D Briggs
Director
26 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TSB FINANCIAL SERVICES LIMITED

We have audited the financial statements of TSB Financial Services Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement 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 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 2007 and of its result 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
27 June 2008

Income statement
for the year ended 31 December 2007

	Notes	**2007 £'000**	2006 £'000
Interest and similar income	6	-	6
Profit before tax		-	6
Taxation	7	-	(2)
Profit for the year		-	4

The company ceased trading in the prior year The results above arise wholly from discontinued operations, and are attributable to the equity shareholder

The accompanying notes are an integral part of the financial statements

Balance sheet
at 31 December 2007

	Notes	**2007** **£'000**	2006 £'000
Current assets			
Amounts owed by group companies	9	168	168
Total assets		168	168
Equity			
Share capital	8	120	120
Retained earnings		48	48
Total shareholders' equity		168	168

The financial statements on pages 5 to 13 were approved by the board on 26 June 2008 and signed on its behalf by

A D Briggs
Director

The accompanying notes are an integral part of the financial statements

Statement of changes in equity

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2006	120	44	164
Profit for the year	-	4	4
Balance at 31 December 2006 and at 1 January 2007	120	48	168
Profit for the year	-	-	-
Balance at 31 December 2007	120	48	168

The accompanying notes are an integral part of the financial statements

Cash flow statement
for the year ended 31 December 2007

	Note	**2007 £'000**	2006 £'000
Cash flows from operating activities.			
Cash used in operations	10	-	(182)
Tax paid		-	(6)
Net cash used in operating activities		-	(188)
Cash flows from investing activities:			
Interest received		-	6
Net cash generated by investing activities		-	6
Change in cash and cash equivalents		-	(182)
Cash and cash equivalents at beginning of year		-	182
Cash and cash equivalents at end of year		-	-

There were no cash flows arising from or used in financing activities

The accompanying notes are an integral part of the financial statements

Notes to the financial statements

1. General information

TSB Financial Services Limited did not trade during the year The company is incorporated and resident in England and Wales The company's immediate parent company is Lloyds TSB General Insurance Holdings Limited which is incorporated and resident in England and Wales

The company's ultimate parent company is Lloyds TSB Group plc, which is a limited liability company and is incorporated and resident 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 undertaking of the smallest such group of undertakings Copies of the group accounts of both companies may be obtained from the company secretary's office, 25 Gresham Street, London, EC2V 7HN Lloyds TSB Group plc has a primary listing on the London Stock Exchange, with a further listing in New York

2. Accounting policies

These financial statements have been prepared using applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and in compliance with the requirements of the Companies Act 1985

The financial information has been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments

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

i IFRS 7 'Financial Instruments Disclosures' This standard, which was effective from 1 January 2007 requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments As a disclosure standard, the application of this new standard has not had any impact on amounts recognised in the financial statements The IFRS 7 disclosures are set out in note 4 IFRS 7 supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Institutions' and the disclosure requirements previously contained in IAS 32 'Financial Instruments Presentation'

ii Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures' This standard, which was effective from 1 January 2007, requires additional disclosures of the objectives, policies and processes for managing capital, quantitative data about what the company regards as capital These new capital disclosures are set out in note 3

Details of those IFRS pronouncements which will be relevant to the company but which were not effective at 31 December 2007 and which have not been applied in preparing these financial statements are given in note 11

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

a) Revenue recognition

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

b) Taxation

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

Current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is a legal right of offset and the intention is to settle on a net basis or to realise the assets and settle the liability simultaneously

c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months

Notes to the financial statements (continued)

3. Capital management

The company's parent company manages the company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes to economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the board may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets

The company's capital comprises all components of equity, movements in which appear in the statement of changes of equity on page 7 The company received most of its funding requirements from its parent and does not raise funding externally

4. 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

a) Measurement basis of assets and liabilities

All assets are held at amortised cost

b) Credit risk

The maximum credit risk exposure of the company in the event of other parties failing to perform their obligations is considered to be the balance sheet carrying amount of amounts due from group companies, totalling £168,000 (2006 £168,000) The company's financial assets have no amounts past due or impaired (2006 nil), and are considered to be of high credit quality

c) Liquidity risk

The company has no liabilities and therefore, has no exposure to liquidity risk

d) Market risk

The company has no interest bearing assets or liabilities, and no foreign currency assets or liabilities The company is not considered to have any significant exposure to market risks

5. Administrative expenses

The company does not directly employ any staff Auditors' remuneration of £1,000 has been borne by Lloyds TSB Bank plc in 2007 (2006 £2,000)

6. Interest and similar income

Interest income of nil (2006 £6,000) is derived from Lloyds TSB Bank plc

7. Taxation

	2007	2006
	£'000	£'000
Current tax charge	-	2
Total tax charge for the year	-	2

The charge for tax on the profit for the year is based on a UK corporation tax rate of 30 per cent (2006 30 per cent) The standard rate of UK corporation tax has reduced from 30% to 28% with effect from 1 April 2008

Notes to the financial statements (continued)

8. Share capital

	2007 £'000	2006 £'000
Authorised		
120,000 (2006 120,000) ordinary shares of £1 each	120	120

Issued and fully paid	2007 Number of shares	2006 Number of shares	2007 £'000	2006 £'000
Ordinary shares of £1 each				
At 1 January and at 31 December	120,000	120,000	120	120

9. Related party transactions

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

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 (2006 nil)

Amounts owed by group companies

	Parent company 2007 £'000	Parent company 2006 £'000
At 1 January	168	(2)
Repayments during the year	-	2
Advanced during the year	-	168
At 31 December	168	168
Representing		
Lloyds TSB General Insurance Holdings Limited	168	168

Amounts owed by companies are repayable on demand and are non-interest bearing The fair value of amounts owed by companies is equal to its carrying amount

Interest income earned from group companies

The interest income earned from Lloyds TSB Bank plc during the year is disclosed in note 6

Notes to the financial statements (continued)

10. Reconciliation of profit before tax to net cash flow from operating activities

	2007	2006
	£'000	£'000
Profit before tax	-	6
Adjustments for		
Interest income	-	(6)
Changes in working capital		
Increase in amount owed by other group companies	-	(168)
Decrease in amount owed to other group companies	-	(2)
Decrease in other current payables	-	(12)
Net cash used in operating activities	-	**(182)**

11. Future developments

The following pronouncements will be relevant to the company but were not effective at 31 December 2007 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IAS 1 Presentation of Financial Statements[1 2]	Revises the overall requirements for the presentation of financial statements, guidance for their structure and minimum content requirements The revised standard requires the presentation of all non-owner changes in equity within a statement of comprehensive income	Annual periods beginning on or after 1 January 2009
Amendment to IAS 23 Borrowing Costs [1 2]	Requires interest and other costs incurred in connection with the borrowing of funds to be recognised as an expense, except that those which are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale must be capitalised as part of the cost of those assets	Annual periods beginning on or after 1 January 2009
IFRS 3 Business Combinations[1 2]	The revised standard continues to apply the acquisition method to business combinations, however, all payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently re-measured at fair value through income, goodwill may be calculated based upon the parent's share of net assets or it may include goodwill related to the minority interest, and all transaction costs are expensed	Annual periods beginning on or after 1 January 2009

Notes to the financial statements (continued)

11. Future developments (continued)

Pronouncement	Nature of change	Effective date
IAS 27 Consolidated and Separate Financial Statements[1 2]	Requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control, any remaining interest in an investee is re-measured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost	Annual periods beginning on or after 1 July 2009

[1] At the date of this report, these pronouncements are awaiting EU endorsement
[2] Subject to any EU endorsement, the company has not yet made a final decision as to whether it will apply these pronouncements in the 2008 financial statements

The full impact of these pronouncements is being assessed by the company However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements