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LLOYDS TSB FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2004

Member of Lloyds TSB Group



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Lloyds TSB Financial Services Limited
Report and Accounts for the Year Ended 31 December 2004

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Lloyds TSB Financial Services Limited
Report and Accounts for the Year Ended 31 December 2004

Company Information

Board of Directors

J McConville
R J Whatford

Secretary

F Shah

Auditors

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

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Registration Number

346570

Lloyds TSB Financial Services Limited
Report and Accounts for the Year Ended 31 December 2004

Directors' Report

Principal activities

The principal activity of Lloyds TSB Financial Services Limited ("the Company") is that of a holding company. During the prior year the Company disposed of a number of its subsidiary undertakings. The Directors consider that the Company's activities will continue unchanged in the foreseeable future.

Results and dividends

The profit after taxation for the year ended 31 December 2004 amounted to £212,000 (2003: loss of £341,005,000) as set out in the profit and loss account on page 6. The Directors do not propose the payment of any dividend for the year (2003: £nil).

Directors

The names of the current Directors are listed on page 2 and information regarding the Directors' emoluments and interests in shares is given in notes 3 and 4 to the accounts. There were no changes in directorships during the year.

On behalf of the Board,



F Shah
Secretary
26th May 2005

Lloyds TSB Financial Services Limited
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Report of the Independent Auditors To the Member of Lloyds TSB Financial Services Limited
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We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report.

Lloyds TSB Financial Services Limited
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Report of the Independent Auditors (continued) To the Members of Lloyds TSB Financial Services Limited

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

26 MAY 2005

Lloyds TSB Financial Services Limited
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Profit and Loss Account			
		2004	2003
	Notes	£000	£000
Loss on disposal of fixed assets	6	-	(341,236)
Other interest receivable and similar income		292	330
Profit/ (loss) on ordinary activities before taxation	2	<u>292</u>	<u>(340,906)</u>
Tax on profit/ (loss) on ordinary activities	3	(80)	(99)
Profit/ (loss) on ordinary activities after taxation		<u>212</u>	<u>(341,005)</u>
Retained loss brought forward		<u>(511,685)</u>	<u>(170,680)</u>
Retained loss carried forward		<u>(511,473)</u>	<u>(511,685)</u>

There are no recognised gains or losses other than the profit for the financial year and all operations are continuing.

The notes on pages 8 to 11 form an integral part of these accounts.

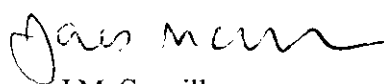
Lloyds TSB Financial Services Limited
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Balance Sheet

	Notes	2004 £000	2003 £000
Fixed Assets			
Investments			
Shares in group undertakings	6	626,413	626,413
		<u>626,413</u>	<u>626,413</u>
Current assets			
Amounts owed by Group undertakings	8	550,969	550,969
Prepayments and accrued income		28	21
Other investments	7	7,001	6,818
		<u>557,998</u>	<u>557,808</u>
Creditors: amounts falling due within one year	9	(48)	(70)
Net current assets		<u>557,950</u>	<u>557,738</u>
Total assets less current liabilities		<u>1,184,363</u>	<u>1,184,151</u>
Creditors: amounts falling due after more than one year			
Amounts owed to group undertakings		(100,000)	(100,000)
		<u>1,084,363</u>	<u>1,084,151</u>
Capital and reserves			
Called up share capital	10	1,595,836	1,595,836
Profit and loss account		(511,473)	(511,685)
Equity shareholder's funds	11	<u>1,084,363</u>	<u>1,084,151</u>

The notes on pages 8 to 11 form an integral part of these accounts.

Approved by the Board on 26th May 2005


J McConville
Director

Lloyds TSB Financial Services Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts

1. Accounting policies

a. Basis of preparation

The accounts are prepared under the historical cost convention, in compliance with the requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

b. Interest receivable and payable

Interest receivable and payable is accounted for on an accrual basis.

c. Investment in Subsidiaries

Investments in subsidiary undertakings are included in the balance sheet at cost unless their value has been impaired, in which case they are valued at their realisable value or value in use as appropriate.

d. Taxation

Tax is charged on all taxable profits arising for the accounting period. No provision is required under Financial Reporting Standard 19 "Deferred Tax" as no timing differences arise which would result in deferred tax on assets and liabilities.

e. Cash flow statement

A cash flow statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised) "Cash Flow Statements" as consolidated accounts, in which the Company is included, are available (see note 12).

2. Profit/ (loss) on ordinary activities before taxation

All administration expenses in the current and prior year including auditors' remuneration are borne by another group company.

3. Directors' emoluments

No remuneration was paid or is payable by the Company to the Directors (2003: nil). The Directors are employed by other companies in the Lloyds TSB group and consider that their services to this company are incidental to their other activities within the group.

4. Directors' interests

The Directors of the Company are also Directors of Scottish Widows Group Limited and their interests are disclosed in the accounts of that company.

None of the Directors who held office during the year ended 31 December 2004 had any interest in the shares of the Company (2003: none).

Lloyds TSB Financial Services Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

5. Tax on profit/ (loss) on ordinary activities

	2004	2003
	£000	£000
Current tax:		
Corporation tax	88	(102,272)
Adjustments in respect of prior periods	(8)	-
Loss on disposal of investments	-	102,371
	<u>80</u>	<u>99</u>

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

Profit/ (loss) on ordinary activities before taxation	<u>292</u>	<u>(340,906)</u>
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	88	(102,272)
Effects of:		
Prior year	(8)	-
Non taxable loss on disposal of investments	-	102,371
Current tax charge for period	<u>80</u>	<u>99</u>

6. Investments

Shares in group undertakings

	2004	2003
	£000	£000
At 1 January	626,413	967,649
Additions	-	625,590
Disposals	-	(966,826)
Net realisable value at 31 December	<u>626,413</u>	<u>626,413</u>

During the prior year the Company disposed of Scottish Widows Unit Trust Managers Limited, Abbey Life Assurance Company Limited, Abbey Unit Trust Managers Limited, Abbey Life Property Development Limited and Target Holdings Limited to a fellow Group undertaking for an aggregate value of £625,590,000. The transaction gave rise to a loss on disposal of £341,236,000. No such disposals occurred in the current year.

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Notes to the Accounts (continued)
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6. Investments (continued)

Lloyds TSB Financial Services Limited owns 100% of the issued ordinary share capital of its subsidiary undertakings. The subsidiary undertakings, all of which prepare accounts to 31 December and whose results are included in the consolidated accounts of Lloyds TSB Group plc, are:

Lloyds Bank Unit Trust Managers Limited
TSB Life Limited
 - TSB Pensions Limited
TSB Investment Services Limited
Abbey Life Investment Services Limited
Abbey Life Services Limited
Abbey Life Trustee Services Limited
Hill Samuel Investment Services Group Limited
 - FAS Limited
 - HSL Facilities Limited
 - Hill Samuel Investment Services Limited
 - Hill Samuel Professional Adviser Services Limited
 - HSLA Residual Assets Limited
SW No. 3 Limited

Consolidated accounts are not prepared, as the Company is a wholly-owned subsidiary of another company incorporated in Great Britain.

7. Other financial investments

The balance of investments consists of holdings in a cash fund through which the Company invests all its excess cash balances.

8. Amounts owed by Group undertakings

All amounts owed by group undertakings are due after more than one year.

9. Creditors : amounts falling due within one year

	2004	2003
	£000	£000
Corporation tax payable	<u>48</u>	<u>70</u>

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Notes to the Accounts (continued)

10. Called up share capital

	2004	2003
	£000	£000
Authorised, allotted and issued fully paid		
1,595,836,000 (2003: 1,595,836,000) ordinary shares of £1 each	<u>1,595,836</u>	<u>1,595,836</u>

11. Reconciliation of movement in shareholder's funds

	2004	2003
	£000	£000
Opening equity shareholder's funds	1,084,151	1,425,156
Profit/ (loss) for the year	212	(341,005)
Closing equity shareholder's funds	<u>1,084,363</u>	<u>1,084,151</u>

12. Related party transactions

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

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

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

13. Parent undertaking

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.