

LLOYDS INVESTMENT SECURITIES (NO 5) LIMITED

31 December 2006

Member of Lloyds TSB Group

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COMPANIES HOUSE

LLOYDS INVESTMENT SECURITIES (NO 5) LIMITED

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25 Gresham Street London EC2V 7HN

DIRECTORS

A J Cumming  
P Higgins  
A B Vowles (Alternate A M Basing)  
T J Cooke  
J M Herbert

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street  
London EC2V 7HN

REGISTERED NUMBER

2930810

## REPORT OF THE DIRECTORS

### REVIEW OF BUSINESS

During the year the principal activity of the company was the investment in subsidiary undertakings, and this is likely to continue for the foreseeable future. The directors consider the results for this year to be satisfactory.

The results of the company show a pre-tax profit of £8,000,000 (2005 £110,000,000) for the year as set out in the income statement on page 5.

The company has a net surplus on shareholders' equity of £8,036,000 (2005 £36,000).

No dividend was paid in respect of the year ended 31 December 2005. It is intended that a dividend of £5,600,000 will be paid in respect of the year ended 31 December 2006 in July 2007.

### FUTURE OUTLOOK

The company will continue to look for appropriate investment opportunities.

### DIRECTORS

The names of the directors of the company are shown on page 1. The following changes in directors have taken place during the year and since the year end:

	Appointed	Resigned/Ceased to be a director
R F Pelly		26 February 2007
M W Joseph		15 November 2006
T J Cooke	18 June 2007	
J M Herbert	18 June 2007	

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### RESPONSIBILITIES OF DIRECTORS

Company law 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 accounting standards 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 are responsible for keeping proper 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 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.

### AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. For further details please refer to note '1 (f) – Financial risk management' in these 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.

REPORT OF THE DIRECTORS

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from The DTI Publications Orderline 0870-1502500 (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 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 2006, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

On behalf of the board



S Slattery  
Secretary

9<sup>th</sup> July 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS INVESTMENT SECURITIES (NO 5) LIMITED

We have audited the financial statements of Lloyds Investment Securities (No 5) Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholders' 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 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.

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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 2006 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*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

The Quay  
30 Channel Way  
Ocean Village  
Southampton  
SO14 3QG

13<sup>th</sup> July 2007

**LLOYDS INVESTMENT SECURITIES (NO 5) LIMITED**

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**INCOME STATEMENT**

For the year ended 31 December 2006

	Note	2006 £000	2005 £000
Dividend received from subsidiary undertaking	4	8,000	110,000
<b>Profit before tax</b>	2	8,000	110,000
Taxation	3	-	-
<b>Profit for the year</b>		8,000	110,000

The accompanying notes are an integral part of the Financial Statements

LLOYDS INVESTMENT SECURITIES (NO 5) LIMITED

BALANCE SHEET  
As at 31 December 2006

	Note	£000	2006 £000	£000	2005 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Investment in subsidiaries	5		17,000		17,000
<b>Current assets</b>					
Other debtors			1		1
<b>Total assets</b>			<u>17,001</u>		<u>17,001</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Amounts owed to group companies	6		8,965		16,965
<b>Total liabilities</b>			<u>8,965</u>		<u>16,965</u>
<b>Equity</b>					
Share capital	7	10		10	
Retained earnings	8	8,026	8,036	26	36
<b>Total liabilities and equity</b>			<u>17,001</u>		<u>17,001</u>

The directors approved the accounts on 9<sup>th</sup> July 2007



P Higgins  
Director

The accompanying notes are an integral part of the Financial Statements

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital and premium £000	Retained profits £000	Total £000
<b>Balance at 1 January 2005</b>	8	10	26	36
Profit for the year		-	110,000	110,000
		<hr/>	<hr/>	<hr/>
		10	110,026	110,036
Dividend paid	4	-	(110,000)	(110,000)
		<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2005 and 1 January 2006</b>	8	10	26	36
Profit for the year		-	8,000	8,000
		<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2006</b>		10	8,026	8,036
		<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the Financial Statements



LLOYDS INVESTMENT SECURITIES (NO 5) LIMITED

CASHFLOW STATEMENT

For the year ended 31 December 2006

		2006 £000	2005 £000
	Note		
<b>Investing activities</b>			
Investment income		8,000	110,000
		<u>8,000</u>	<u>110,000</u>
<b>Net cash flow from investing activities</b>		<u>8,000</u>	<u>110,000</u>
<b>Financing activities</b>			
Dividends paid	4	-	(110,000)
		<u>-</u>	<u>(110,000)</u>
<b>Net cash used in financing activities</b>		<u>-</u>	<u>(110,000)</u>
Net increase in cash and cash equivalents		8,000	-
Cash and cash equivalents at the beginning of the year	6	(16,965)	(16,965)
		<u>(16,965)</u>	<u>(16,965)</u>
Cash and cash equivalents at the end of the year	6	(8,965)	(16,965)
		<u>(8,965)</u>	<u>(16,965)</u>

The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

**1 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below

The financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and all derivative contracts, on the basis of International Financial Reporting Standards ('IFRS')

There are no critical areas which require disclosure where management have exercised judgement in applying the company's accounting policies or in determining accounting estimates

**(a) Investments in subsidiaries**

Investments in subsidiary undertakings are stated at the historical cost, less any provisions for impairment

**(b) Taxation**

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

**(c) Dividends**

Dividends on ordinary shares are recognised in equity in the period in which they are paid

**(d) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, bank overdraft 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 See note 6

**(e) Derivative financial instruments**

The company did not hold any derivative financial instruments during the accounting period

**(f) Financial risk management**

The company is exposed through its operations to a variety of financial risks that include credit risk and interest rate risk Risk management is performed by various Committees established by its ultimate parent, Lloyds TSB Group plc for the management of these risks

**2 Profit before tax**

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £3,600 The company has no employees and the directors received no remuneration in respect of their services to the company

**3 Taxation**

**(a) Factors affecting the tax charge for the year**

	2006 £000	2005 £000
Profit on ordinary activities before taxation	8,000	110,000
Tax on profit on ordinary activities at the standard rate of corporation tax	(2,400)	(33,000)
Non-taxable dividends received	2,400	33,000
Total tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS

**4 Dividends**

	2006 £000	2005 £000
Dividends received during the year	8,000	110,000
The dividends paid in the year were as follows		
Dividend in respect of the preceding year	-	110,000

No dividend was paid in respect of the year ended 31 December 2005. It is intended that a dividend of £5,600,000 will be paid in respect of the year ended 31 December 2006 in July 2007.

**5 Investment in subsidiaries**

	2006 £000	2005 £000
At 31 December	17,000	17,000
The company holds the following investment		
Hill Samuel Asset Finance Limited	17,000	17,000

The above company is incorporated in the United Kingdom and is 100% owned by Lloyds Investment Securities (No 5) Limited.

**6 Amounts owed to group companies**

	2006 £000	2005 £000
Amounts falling due within one year		
Bank overdraft	8,965	16,965
For further details please refer to note 9		

**7 Share capital**

	2006 £000	2005 £000
Authorised, allotted and issued		
Ordinary shares of £1 each	10	10

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies 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 companies. 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 immediate parent company is Lloyds TSB Leasing Limited.

NOTES TO THE FINANCIAL STATEMENTS

**8 Retained earnings**

	2006 £000	2005 £000
At 1 January	26	26
Net profit for the year	8,000	110,000
Dividends paid	-	(110,000)
	<hr/>	<hr/>
At 31 December	8,026	26
	<hr/>	<hr/>

**9 Related party transactions**

In respect of related party transactions, the outstanding balances receivable / (payable) as at 31 December were as follows

Nature of transaction	Related party	2006 £000	2005 £000
Bank overdraft	Intermediate parent undertaking	(8,965)	(16,965)

The bank overdraft is non-interest bearing and is repayable on demand