Lloyds Investment Securities No 5 Limited

31 December 2007

Member of Lloyds TSB Group

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming (Alternate A M Basing)
J M Herbert
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London EC2V 7HN

REGISTERED NUMBER

2930810

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

The principal activity of the company is the management of investments in subsidiaries, this is expected to continue for the foreseeable future On the 30 November 2007 the company sold its investment in Hill Samuel Asset Finance Limited to a third party for £19,645,000, realising a profit on disposal of £2,654,000 On the same date the company aquired 100% interest in St Mary Court Investment Limited ("SMCI") for further information see note 7 to the financial statements

The results of the company show a pre-tax profit of £2,654,000 (2006 £8 000 000) for the year as set out in the income statement on page 5

The company has a net shareholders' equity of £5,090,000 (2006 £8,036,000)

DIVIDENDS

On the 9 July 2007 the directors authorised a dividend payment of £5,600 000 payable to the shareholder of the company (2006 Nil)

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		27 February 2007
P Higgins		16 May 2008
A B Vowles		21 May 2008
T J Cooke	18 June 2007	
J M Herbert	18 June 2007	
R A Isaacs	23 May 2008	

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing 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 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
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

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 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

REPORT OF THE DIRECTORS

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department of Business, Enterprise and Regulatory Reform regarding the making of payments to suppliers A copy of the code and information about it may be obtained from the BERR 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 2007, 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

R.A. Isaacs

R A Isaacs
Director

17 September 2008

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 2007 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 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 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

19 September 2008

Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

INCOME STATEMENT
For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Investment income	2	-	8,000
Profit on sale of subsidiary	3	2,654	-
Profit before tax	4	2,654	8,000
Taxation charge	5	-	-
Profit for the year		2,654	8,000

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Assets					
Non-current assets					
Investment in subsidiary undertakings	7		11 217		17,000
Current assets					
Other debtors			1		1
Total assets			11,218		17,001
Liabilities					
Current liabilities					
Amounts owed to group companies	8		6 128		8,965
Total liabilities			6,128		8 965
Equity					
Share capital	9	10		10	
Retained earnings	10	5 080	5,090	8,026	8 036
Total liabilities and equity			11 218		17,001

The directors approved the accounts on 17 September 2008

R.A. Isaacs

R A Isaacs
Director

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital	Retained earnings	Total
		£000	£000	£000
Balance at 1 January 2006	9, 10	10	26	36
Profit for the year		-	8,000	8,000
Balance at 31 December 2006 and 1 January 2007	9, 10	10	8,026	8,036
Profit for the year		-	2,654	2,654
Dividends	6	-	(5,600)	(5,600)
Balance at 31 December 2007	9 10	10	5,080	5,090

The accompanying notes are an integral part of the Financial Statements

CASHFLOW STATEMENT
For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Net cash flow from operating activities	11	-	8 000
Investing Activities			
Proceeds from disposal of subsidiary		19,654	-
Purchase of subsidiary		(11 217)	-
Net cash used in investing activities		8 437	-
Financing activities			
Dividends declared	6	-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		8,437	8 000
Cash and cash equivalents at the beginning of the year	8	(8 965)	(16 965)
Cash and cash equivalents at the end of the year	8	(528)	(8,965)

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 and financial assets at fair value through profit or loss on the basis of 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) Investment in subsidiary undertakings
Investment in subsidiary undertakings are stated at the historical cost, less any provisions for impairment

(b) Impairment
At each balance sheet date the company assesses whether as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of the estimated future cash flows discounted at the assets' implicit rate in the underlying lease

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised Income tax payable on profits is recognised as an expense in the period in which those profits arise The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

(d) Dividends
Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors

(e) Cash and cash equivalents
Cash and cash equivalents 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

(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 Investment Income

	2007	2006
	£000	£000
Income received from subsidiary undertakings	-	8,000

NOTES TO THE FINANCIAL STATEMENTS

3 Profit on disposal of subsidiary undertaking

	2007	2006
	£000	£000
Profit on disposal	2 654	-

On 30 November 2007, the company sold its entire interest in Hill Samuel Asset Finance Limited to a third party for total consideration of £19 654,368 The carrying value of the assets disposed was £17,000,000 accordingly the company realised a profit on sale of £2,654,368

4 Profit before tax

Audit fees for the company are borne by the immediate parent company the audit fee attributable to this company was £2,823 (2006 £3,600) The company has no employees and the directors received no remuneration in respect of their services to the company

5 Taxation

	2007	2006
The tax charge for the year comprises	£000	£000
Group relief payable on current taxation profit for the year	-	-

Tax on the company's profit differs from the tax charge that would arise using the standard rate of corporation tax of 30% (2006 30%) The differences are explained below

	2007	2006
	£000	£000
Profit on ordinary activities before taxation	2,654	8 000
Tax charge at the standard rate of corporation tax	(796)	(2,400)
Non-taxable capital gains	796	-
Non-taxable dividends	-	2 400
Total tax charge for the year	-	-

Following substantive enactment of the Finance Bill on 28 June 2007 the Corporation Tax rate has been changed from 30% to 28% with effect from 1 April 2008 The impact of this change on the financial accounts for the year ended 31 December 2007 is to recognise a one off adjustment of £1,664,000 to the deferred tax liability reflecting the adjustment required to remeasure the deferred tax liability at a lower rate of tax for the remaining life of the lease

6 Dividends

	2007	2006
	£000	£000
Dividends declared on ordinary shares	5 600	-

On the 9 July 2007 the directors authorised a dividend payment of £5,600 000 payable to the shareholder of the company the dividend was paid to the company parent on 20 March 2008 (2006 £nil)

Dividend per share for the ordinary shareholders is £56 000 per share (2006 £nil)

NOTES TO THE FINANCIAL STATEMENTS

7 Investments in subsidiaries

	2007 £000	2006 £000
At beginning of the year	17,000	17,000
Disposals	(17,000)	-
Acquisitions	11,217	-
At end of the year	11,217	17 000

The company holds the following investments — Percentage of equity share holding and voting rights

Company name	Principal activity	2007 %	2006 %
Hill Samuel Asset Finance Limited	Lease management	-	100
St Mary's Court Investment	Investment management	100	-
At end of the year		100	100

The above companies are incorporated in the United Kingdom

On the 30 November 2007 the company acquired 100% of the ordinary share capital and 100% voting rights of St Mary's Court Investments ('SMCI) from a fellow subsidiary of the Lloyds TSB Group The company paid, in cash, consideration of £11,217,000 for the net assets of the company The fair value of the assets and liabilities acquired and the book values prior to the date of acquisition is disclosed below

Components of the cost of acquisition	Fair value on acquisition £000	Book value prior to acquisition £000
Investments	10,614	10,580
Cash and cash equivalents	772	772
Other receivables	141	141
Other payables	(310)	(310)
Net assets aquired	11,217	11,183

The company's subsidiary undertakings did not declare any dividends during the year accordingly the company has not recognised any income from its subsidiary undertakings for the year ending 31 December 2007 in the income statement (2006 £8,000,000)

8 Amounts owed to group companies

	2007 £000	2006 £000
Amounts falling due within one year		
Cash and cash equivalents	528	8,965
Dividend payable	5,600	-
	6,128	8,965

For further details please refer to note 12

NOTES TO THE FINANCIAL STATEMENTS

9 Share capital

	2007	2006
	£000	£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

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly to support the Group's regulatory capital requirements

The Company's parent manages the Company's capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the Company's parent may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or enter into debt financing

The Company's capital comprises all components of equity, movements in which appear in the statement of changes in equity and borrowed funds as disclosed in note 8

10 Retained earnings

	2007	2006
	£000	£000
At beginning of the year	8 026	26
Net profit for the year	2,654	8 000
Dividends (note 6)	(5,600)	-
At end of the year	5 080	8 026

11 Notes to the cash flow statement

	2007	2006
	£000	£000
Profit from operations	2 654	8 000
Adjustment for sale of subsidiary undertaking	(2 654)	-
Net cash flow from operating activities	-	8 000

NOTES TO THE FINANCIAL STATEMENTS

12 Related party transactions

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

Nature of transaction	Related party	2007 £000	2006 £000
Cash and cash equivalents	Intermediate parent undertaking	528	8,965
Dividend payable	Intermediate parent undertaking	5,600	-

The bank overdraft facility received from a fellow subsidiary undertaking is non interest bearing During the year the company paid consideration of £11,217 457 to a fellow subsidiary undertaking for 100% of the ordinary share capital of St Mary's Court Investments

13 Risk management of financial instruments

The Company does not use financial instruments Its primary function is to act as a holding company to it subsidiaries The primary financial risks affecting the company are credit risk and liquidity risk and market risk (which include interest rate risk and foreign currency risk) Information of the management of these financial risks and further disclosures is given below

In accordance with IAS 39 "Financial instruments Recognition and measurement" All financial assets and liabilities are designated as held at amortised cost The accounting policies note 1 describes how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised

The accounting policies note 1 describes how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised

Credit risk management
The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is nil The company's assets comprise of its investments in subsidiary undertakigns where the risk to the company is limited to any impairment of the investment

Liquidity risk management
The table below analyses liabilities of the Company on an undiscounted future cashflows basis (including interest payments) according to contractual maturity into relevant maturity groupings based on the remaining period at the balance sheet date

31 December 2007	Bank borrowings	Other Liabilities
On demand	-	528
Up to 1 Month	-	-
1-3 Months	-	5,600
3-12 Months	-	-
1-5 Years	-	-
Over 5 years	-	-
Total	-	6,128

NOTES TO THE FINANCIAL STATEMENTS

13 Risk management of financial instruments continued

31 December 2006	Bank borrowings	Other Liabilities
On demand	-	8,965
Up to 1 Month	-	-
1-3 Months	-	-
3-12 Months	-	-
1-5 Years	-	-
Over 5 years	-	-
Total	-	8 965

Other creditors and payables are repayable on demand

Interest rate risk management
Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of the interest bearing assets are matched to the terms of its liabilities The company has no current exposure to fixed or variable rates of interest

Currency risk
The company's transactions are all denominated in British Pounds as such the company has no exposure to foreign currency risk

14 Future developments

The following accounting standard changes will impact the company in the next financial period

Pronouncement	Nature of change	Effective date
Revised IAS 1	Introduces changes to the presentation of the balance sheet income statement and cash flow	Annual periods beginning on or after 1 January 2009

The full impact of this pronouncement is being assessed by the company this pronouncement is not expected to cause any material impact to the financial statements