LLOYDS INVESTMENT SECURITIES NO 5 LIMITED

31 December 2010

Member of Lloyds Banking Group

Registered Number 2930810

DIRECTORS

T J Cooke
A J Cumming
J M Herbert
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

7 More London Riverside
London
SE1 2RT

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED COMPANY NUMBER

2930810

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

Dunng the year, the pnncipal activity of the company was the holding of investments in subsidiary undertakings and this is expected to continue for the foreseeable future

The company earned no income and did not incur expenses in the current and prior year and therefore no Income Statement and Statement of Comprehensive Income are prepared

The company has shareholder's equity of £5,087,000 (2009 £5,087,000)

DIVIDENDS

The directors did not authorise or pay any dividends dunng the year (2009 £nil)

DIRECTORS

The names of the directors of the company are shown on page 1 There were no changes in directors during the year

No director had any interest in any material contract or arrangement with the company during or at the end of the year

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the directors' 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 Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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 the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

DIRECTORS' INDEMNITIES

The directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision" This contract came into force during the financial year and remains in force It is available for inspection at the registered office of Lloyds Banking Group plc

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

AUDITORS APPOINTMENT

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the member of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and PricewaterhouseCoopers LLP will therefore continue in office

REPORT OF THE DIRECTORS

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 '7 - Risk management of financial instruments' 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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows 'The Prompt Payment Code' published by the Department for Businesses Innovation and Skills (BIS) regarding the making of payments to suppliers Information about the 'Prompt Payment Code' may be obtained by visiting www promptpayment org uk

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 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (Prior year nil)

On behalf of the board

S Slattery
Secretary

Date 28\09\11

INDEPENDENT AUDITORS' REPORT TO THE MEMBER 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 2010 which comprise the Balance Sheet, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 ,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Andrew Hawkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

Date 29 September 2011

BALANCE SHEET
As at 31 December 2010

	Note	2010 £000	2009 £000
Assets			
Non-current assets			
Investment in subsidiary undertakings	3	11,217	11,217
Total non-current assets		11,217	11,217
Current assets			
Other debtors		1	1
Total current assets		1	1
Total assets		11,218	11,218
Liabilities			
Current liabilities			
Amounts owed to group companies	4	6,131	6,131
Total current liabilities		6,131	6,131
Equity			
Share capital	5	10	10
Retained earnings	6	5,077	5,077
Total equity		5,087	5,087
Total liabilities and equity		11,218	11,218

An Income Statement and Statement of Comprehensive Income are not presented in these financial statements as these show nil amounts for the current and previous financial year

The directors approved the accounts on 28 September 2011

R A Isaacs

R A Isaacs
Director

Registered Number 2930810

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Retained earnings £000	Total £000
Balance at 31 December 2008	5 6	10	5,077	5,087
Total comprehensive income for the year		-	-	-
Balance at 31 December 2009	5 6	10	5,077	5,087
Total comprehensive income for the year		-	-	-
Balance at 31 December 2010	5 6	10	5,077	5,087

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash flow from operating activities	8	-	(3)
Net movement in cash and cash equivalents		-	(3)
Cash and cash equivalents at beginning of the year		(6,131)	(6,128)
Cash and cash equivalents at end of the year		(6,131)	(6,131)
Cash and cash equivalents are comprised of			
Bank overdraft	4	(6,131)	(6,131)
		(6,131)	(6,131)

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 These policies have been consistently applied to all the years presented, unless otherwise stated

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future The validity of this assumption depends on the continuing financial support provided by Lloyds TSB Bank plc After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below

- Impairment
The company regularly reviews the portfolio of financial assets for impairment In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings, such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on repayments or values of underlying assets Where this is the case, the impairment loss is measured in accordance with note 1(b) below

1(a) Investment in subsidiary undertakings

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

1(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

The criteria that the company uses to determine that there is objective evidence of an impairment loss include

- Delinquency in contractual payments of principal and/or interest,
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty,
- Restructuring of debt to reduce the burden on the borrower,
- Breach of loan covenants or conditions, and
- Initiation of bankruptcy

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 asset's implicit rate in the lease

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised as a credit to the income statement

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

1(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 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 liability is settled

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 Deferred tax related to fair value re-measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss

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

1(d) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder

1(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months, less bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

1(f) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in sterling, which is the company's functional and presentation currency

2 Result before taxation

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £8,500 (2009 £8,500) The company has no employees and the directors received no remuneration in respect of their services to the company

3 Investment in subsidiary undertakings

	As at 31 December 2010 £000	As at 31 December 2009 £000
At beginning of the year	11,217	11,217
At end of the year	11,217	11,217

The subsidiary undertakings of the company for the year ended 31 December 2010, which is registered in England and Wales

Company name	Ownership & Voting (%)	Accounting reference date	Nature of business
St Mary's Court Investments	100%	31 October	Holding company
Caveminster limited	100%	28 October	Cash management

Caveminster Limited is a wholly owned subsidiary of St Mary's Court Investments

The results of the subsidiary undertakings are consolidated in the group accounts for Lloyds Banking group plc which has a financial year end of 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS

4 Amounts owed to group companies

	2010 £000	2009 £000
Bank overdraft (non-interest bearing)	6,131	6,131
	6,131	6,131

For further details please refer to note 9

5 Share capital

	2010 £	2009 £
Authorised		
Ordinary shares of £1 each	10,000	10,000
	10,000	10,000

	2010 £	2009 £
Alloted, issued and fully paid		
Ordinary shares of £1 each	10,000	10,000
	10,000	10,000

The company's immediate parent company is Lloyds TSB Leasing 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 may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN

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 shareholder 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 the shareholder, return capital to the shareholder, 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

6 Retained earnings

	2010 £000	2009 £000
At beginning of the year	5,077	5,077
Profit for the year	-	-
At end of the year	5,077	5,077

NOTES TO THE FINANCIAL STATEMENTS

7 Risk management of financial instruments

The pnmary financial nsks affecting the company are credit nsk, liquidity nsk and market nsk (which include interest rate nsk and foreign currency nsk) Information on the management of these financial nsks and further disclosures is given below

In accordance with IAS39 "Financial instruments Recognition and measurement ", all financial instruments, are designated as held at amortised cost

Credit nsk management

Credit nsk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation

The maximum credit nsk exposure of the group in the event of other parties failing to perform their obligations is detailed below The maximum exposure to loss is considered to be the balance sheet carrying amount as at 31 December 2010

	2010	2009
Financial assets which are neither past due nor impaired for credit nsk	£000	£000
Other debtors	1	1
Total credit nsk exposure	1	1

Credit nsk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc Each lease or loan is assessed for credit nsk pnor to approval and assigned a credit rating based on the credit nsk rating methodology and management policy of the Lloyds Banking Group plc The company has no credit nsk to a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc) being a AA (2009 AA) credit rated financial institution

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired Evidence of impairment may include indications that the counterparty is expenencing financial difficulty, default or delinquency in setlements of amounts due or debt restructurings to reduce the financial burden on the counterparty

Liquidity nsk management

Liquidity nsk is the nsk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets

At 31 December 2010	Bank overdraft £000	Total Liabilities £000
On demand	6,131	6,131
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
Total	6,131	6,131

At 31 December 2009	Bank overdraft £000	Total Liabilities £000
On demand	6,131	6,131
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
Total	6,131	6,131

Bank borrowings are non interest beanng, borrowed short term and are advanced by a fellow subsidiary undertaking

NOTES TO THE FINANCIAL STATEMENTS

7 Risk management of financial instruments (continued)

Interest rate risk management

The company has no exposure to variable rate financial assets

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes on foreign exchange rates

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

8 Notes to the cash flow statement

	2010 £000	2009 £000
Profit from operations	-	-
Operating cash flows before movements in working capital	-	-
Cash generated by operations	-	-
Group relief paid	-	(3)
Net cash flow from operations	-	(3)

9 Related parties

The company's related parties include other companies in the Lloyds Banking Group 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

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December 2010 were as follows

Nature of transaction	Related party	2010 £000 £	2009 £000 £
Bank overdraft	Fellow subsidiary undertaking	(6,131)	(6,131)

The company paid group relief of £nil (2009 £(3,000)) during the year to Lloyds TSB Leasing Limited

10 Post balance sheet events

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011

In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax from 27% to 26% with effect from 1 April 2011 This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011

In addition, the Finance Act 2011 includes legislation to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012

The proposed further reductions in the rate of corporation tax by 1% per annum to 23% from 1 April 2014 are expected to be enacted separately each year

11 Future developments

The following accounting standard changes will impact the company in the future financial periods

Pronouncement	Nature of change	IASB effective date
IFRS 9 Financial Instruments Classification and Measurement[1]	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two fair value and amortised cost. The existing available-for-sale and held-to-maturity categories have been eliminated Classification will be made on the basis of the objectives of entity s business model for managing the assets and the characteristics of the contractual cash flows	Annual periods beginning on or after 1 January 2013
IAS24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011
Amendments to IFRS 7, 'Financial instruments Disclosures' on derecognition	These amendments include two changes to IFRS 1,'First time adoption The first replaces references to a fixed date of '1 January 2004 with 'the date of transition to IFRSs' thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation For further details see Straight away	Annual periods beginning on or after 1 July 2011
IFRIC 19 'Extinguishing financial liabilities with equity instruments'	This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the borrower issuing its own equity instruments to the lender A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt	Annual periods beginning on or after 1 January 2013
Ammendment to IAS 12 ' Income Taxes' on deferred tax	Provided an exception to the measurement of deferred tax assets and liabilities on the expected manner of recovery or settlement of the underlying asset or liability in respect of investment property measured using the fair value model	Annual periods beginning on or after 1 January 2012
IAS 27 (revised 2011) , Separate financial statements	Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IAS 28 (revised 2011), Assocaites and joint ventures	To prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures	Annual periods beginning on or after 1 January 2013
IFRS 13, Fair value measurement	To establish a single source of guidance for all fair value measurements to clarify the definition of fair value, to enhance disclosures about fair value	Annual periods beginning on or after 1 January 2013
Annual Improvements 2010		Annual periods beginning on or after 1 January 2011

[1] At the date of this report, these pronouncements are awaiting EU endorsement

The initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements