

LLOYDS INVESTMENT SECURITIES NO 5 LIMITED

31 December 2011

Member of Lloyds Banking Group

Registered Number 2930810

WEDNESDAY



SCT *S1GTPXT5* 05/09/2012 #110
COMPANIES HOUSE

LLOYDS INVESTMENT SECURITIES NO 5 LIMITED

DIRECTORS

C G Dowsett
S C Gledhill
R A Isaacs

COMPANY SECRETARY

S N Slattery

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED COMPANY NUMBER

2930810

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year, the principal activity of the company was the holding of investments in subsidiary undertakings and this is likely to continue for the foreseeable future. The company did not trade during the year ended 31 December 2011.

The company earned no income and did not incur expenses in the current and prior year and therefore no Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity or Cashflow Statement are prepared.

The company has shareholder's equity of £5,087,000 (2010: £5,087,000).

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2010: £nil).

DIRECTORS

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

	Appointed	Resigned/ceased to be a director
A J Cumming	-	26 April 2012
J M Herbert	-	26 April 2012
C G Dowsett	26 April 2012	-
S C Gledhill	26 April 2012	-
T J Cooke	-	14 August 2012

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 deed of indemnity which constitutes a "qualifying third party indemnity provision". This deed was in force during the whole financial year (or from the date of appointment in respect of directors who joined the board during or after 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

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

REPORT OF THE DIRECTORS (CONTINUED)

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.

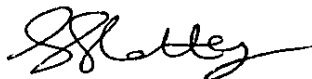
POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows 'The Prompt Payment Code' published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. Information about the 'Prompt Payment Code' may be obtained by visiting www.promptpaymentcode.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 2011, 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 N Slattery
Secretary

Date 05/01/12

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 2011 which comprise the Balance Sheet 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 Statement of Directors' Responsibilities set out on page 2, 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 members 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. In addition, we read all the financial and non-financial information in the report of the directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011,
- 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.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

Date

5 September 2012

LLOYDS INVESTMENT SECURITIES NO 5 LIMITED

BALANCE SHEET
As at 31 December 2011

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Investment in subsidiary undertakings	3	11,217	11,217
Total non-current assets		<u>11,217</u>	<u>11,217</u>
Current assets			
Other debtors		1	1
Total current assets		<u>1</u>	<u>1</u>
Total assets		<u>11,218</u>	<u>11,218</u>
Liabilities			
Current liabilities			
Amounts owed to group companies	4	6,131	6,131
Total current liabilities		<u>6,131</u>	<u>6,131</u>
Equity			
Share capital	5	10	10
Retained earnings	6	5,077	5,077
Total equity		<u>5,087</u>	<u>5,087</u>
Total liabilities and equity		<u>11,218</u>	<u>11,218</u>

An Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and a Cash Flow Statement 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 05/09/12



C G Dowsett
Director

Registered Number 2930810

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.

In preparing these financial statements the company has adopted IAS 1 (revised) Presentation of financial statements. The adoption of IAS 1 (revised) impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, the company has provided full comparative information.

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 asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)**1 (c) Taxation (continued)**

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 and 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 (2010 £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

	2011 £000	2010 £000
At beginning of the year	11,217	11,217
At end of the year	11,217	11,217

The principal subsidiary undertakings of the company all of which are registered in England and Wales, are

<u>Company name</u>	<u>Ownership & Voting (%)</u>	<u>Accounting reference date</u>	<u>Nature of business</u>
St Mary's Court Investments	100	31 October 2011	Holding company
Cavemminster Limited	100	28 October 2011	Cash management

Cavemminster 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 2011.

NOTES TO THE FINANCIAL STATEMENTS

4 Amounts owed to group companies

	2011 £000	2010 £000
Bank overdraft	6,131	6,131
	<u>6,131</u>	<u>6,131</u>

For further details please refer to note 8

5 Share capital

	2011 £	2010 £
Authorised Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
	2011 £	2010 £
Allotted, issued and fully paid Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

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 and bank borrowings as disclosed in note 4.

6 Retained earnings

	2011 £000	2010 £000
At beginning of the year	5,077	5,077
Result after tax and total comprehensive income for the year	-	-
	<u>5,077</u>	<u>5,077</u>

NOTES TO THE FINANCIAL STATEMENTS

7 Risk management of financial instruments

The primary financial risks affecting the company are credit risk, liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks 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 risk management

Credit risk 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 risk 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 2011.

	2011 £000	2010 £000
Financial assets which are neither past due nor impaired for credit risk		
Other debtors	1	1
Total credit risk exposure	1	1

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each financial asset is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease. The table below reflects the credit rating of the financial assets portfolio net of any financial guarantees received.

Financial assets by credit rating

	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
At 31 December 2011							
Other debtors	-	-	-	-	-	1	1
Total	-	-	-	-	-	1	1
At 31 December 2010							
Other debtors	-	-	-	-	-	1	1
Total	-	-	-	-	-	1	1

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 experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty.

At 31 December 2011 and 2010 there were no impairments relating to credit risk against any financial assets nor any lease receivables past due on scheduled lease payments. The credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

For financial assets held at amortised cost the fair value approximates to their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

7 Risk management of financial instruments (continued)**Liquidity risk management**

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

The liquidity profile of financial liabilities at year end was as follows

At 31 December 2011	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	-	-
	<hr/>	<hr/>
Total	6,131	6,131
	<hr/>	<hr/>
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	-	-
	<hr/>	<hr/>
Total	6,131	6,131
	<hr/>	<hr/>

Bank borrowings are non interest bearing, borrowed short term and are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc

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 has no exposure to variable rate financial assets and liabilities

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 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 were as follows

Nature of transaction	Related party	2011 £000	2010 £000
Bank overdraft	Fellow subsidiary undertaking	(6,131)	(6,131)

NOTES TO THE FINANCIAL STATEMENTS

9 Future developments

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

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9 Financial Instruments	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity investment categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015
IFRS 12 Disclosure of Interests in Other Entities	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements.	Annual periods beginning on or after 1 January 2013

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

10 Post balance sheet events

On 21 March 2012, the Government announced a further reduction in the rate of corporation tax to 24% with effect from 1 April 2012. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012.

The proposed further reductions in the rate of corporation tax by 1% per annum to 22% from 1 April 2014 are expected to be enacted separately each year.