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LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

31 December 2005



Member of Lloyds TSB Group

LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

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25 Gresham Street London EC2V 7HN

DIRECTORS

A J Cumming  
P Higgins  
M W Joseph  
R F Pelly  
A B Vowles (Alternate: A M Basing)

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street  
London EC2V 7HN

REGISTERED NUMBER

4839433

## REPORT OF THE DIRECTORS

### REVIEW OF BUSINESS

During the year the principal activity of the Company was property investment, this is likely to continue for the foreseeable future. The directors consider the results for this year to be satisfactory.

### RESULTS

The profit after taxation for the year ended 31 December 2005 amounted to £2,325,000 (2004: £1,704,000) as set out in the income statement on page 5.

A dividend of £500,000 was paid in respect of the year ended 31 December 2004 in June 2005. It is intended that a dividend of £3,500,000 will be paid in respect of the year ended 31 December 2005.

### 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:

	Appointed	Resigned
A R Foad		31 October 2005
M A Grant*		16 June 2005
P Higgins	7 September 2005	
P B Miles		26 August 2005
R F Pelly	17 November 2005	

\* alternate to A J Cumming

All the directors are also directors of Lloyds TSB Leasing Limited, the immediate parent company, and reference to the interests of those who were directors at the end of the year in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries is made in the report and accounts of Lloyds TSB Leasing Limited.

### 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.

LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

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 2005, 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

26 October 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYDS PROPERTY INVESTMENT COMPANY  
NO. 5 LIMITED

We have audited the financial statements of Lloyds Property Investment Company No. 5 Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity 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.

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 2005 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

The Quay  
30 Channel Way  
Ocean Village  
Southampton  
SO14 3QG

30 October 2006

LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

INCOME STATEMENT

For the year ended 31 December 2005

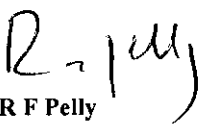
	Note	2005 £000	2004 £000
Finance income	2	1,147	810
Administrative expenses		(101)	(105)
<b>Profit before tax</b>	3	1,046	705
Taxation	4	1,279	999
<b>Profit for the year</b>		2,325	1,704

The accompanying notes are an integral part of the Financial Statements.

BALANCE SHEET  
As at 31 December 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Finance lease receivables	6		27,320		22,639
<b>Current assets</b>					
Finance lease receivables	6	94		-	
Amounts owed by group companies	7	656		338	
Other debtors		-	750	1,335	1,673
<b>Total assets</b>			<b>28,070</b>		<b>24,312</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Amounts owed to group companies	8	24,223		21,817	
Other creditors		18	24,241	594	22,411
<b>Total liabilities</b>			<b>24,490</b>		<b>22,557</b>
<b>Non-current liabilities</b>					
Deferred taxation	9		249		146
<b>Total liabilities</b>			<b>24,490</b>		<b>22,557</b>
<b>Equity</b>					
Share capital	10		-		-
Retained earnings	11		3,580		1,755
<b>Total liabilities and equity</b>			<b>28,070</b>		<b>24,312</b>

The directors approved the accounts on 26 October 2006.

  
R F Pelly  
Director

The accompanying notes are an integral part of the Financial Statements.

LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital and premium £000	Retained profits £000	Total £000
<b>Balance at 1 January 2004</b>	14	-	151	151
Profit for the year		-	1,704	1,704
		<hr/>	<hr/>	<hr/>
Dividend paid	5	-	1,855 (100)	1,855 (100)
		<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2004 and 1 January 2005</b>	14	-	1,755	1,755
Profit for the year		-	2,325	2,325
		<hr/>	<hr/>	<hr/>
Dividend paid	5	-	4,080 (500)	4,080 (500)
		<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2005</b>		-	3,580	3,580
		<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the Financial Statements.



**CASHFLOW STATEMENT**  
For the year ended 31 December 2005

	Note	2005 £000	2004 £000
<b>Net cash flow from operating activities</b>	12	1,468	156
<b>Financing activities</b>			
Dividends paid		(500)	(100)
<b>Net cash used in financing activities</b>		(500)	(100)
Net decrease in cash and cash equivalents		968	56
Cash and cash equivalents at the beginning of the year		(576)	(632)
Cash and cash equivalents at the end of the year		392	(576)

The accompanying notes are an integral part of the Financial Statements.

## LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

### 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 Company's ultimate parent company, Lloyds TSB Group plc, adopted International Financial Reporting Standards ('IFRS') in its financial statements for the year ended 31 December 2005. In accordance with the Companies Act 1985, the Company has also adopted IFRS in the preparation of these financial statements for the year ended 31 December 2005.

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 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.*

Further details on the implementation of IFRS for the Company are given in note 14.

#### **(a) Leases**

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee; all other leases are classified as operating leases. When assets are leased under a finance lease the amount due from a lessee is recorded as a receivable at the present value of the lease payments being the company's net investment in the lease. Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the lease.

Initial direct costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

#### **(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 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.

#### **(d) Dividends**

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

#### **(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.

## NOTES TO THE FINANCIAL STATEMENTS

**1 Accounting policies (continued)****(f) Derivative financial instruments**

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

**(g) 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.

**(h) Fair value**

The fair value of finance lease receivables disclosed in note 6 is derived from a present value cash flow model of expected post-tax cashflows from the lease using current market interest rates and margin for the risks inherent in the lease.

**2 Finance income**

Finance income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment.

**3 Profit before tax**

Audit fees for the company are borne by the immediate parent company. The company has no employees and the directors received no remuneration in respect of their services to the company.

**4 Taxation**

	2005 £000	2004 £000
(a) The credit for the year comprises:		
Group relief (receivable)/payable on current taxation profit for the year	1,464	1,068
Adjustment in respect of prior years	(82)	-
	<hr/>	<hr/>
Total group relief (receivable)/payable for year (Note 4 (b))	1,382	1,068
Deferred taxation (Note 9)	(103)	(69)
	<hr/>	<hr/>
	1,279	999
	<hr/>	<hr/>

**LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Taxation (continued)**

(b) Factors affecting the group relief (receivable)/payable for the year

The group relief (receivable)/payable for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before taxation	1,046	705
Profit on ordinary activities at the standard rate of corporation tax	314	(211)
Capital allowances for year in excess of depreciation	1,778	1,279
Adjustment in respect of prior years	(82)	-
Total group relief (receivable)/payable for year (Note 4 (a))	(1,382)	(1,068)

**5 Dividends**

	2005 £000	2004 £000
The dividends paid in the year were as follows:		
Interim dividend in respect of the preceding year	500	100

A dividend of £500,000 was paid in respect of the year ended 31 December 2004 in June 2005. It is intended that a dividend of £3,500,000 will be paid in respect of the year ended 31 December 2005.

**6 Finance lease receivables**

	Minimum lease payments		Present value of Minimum lease payments	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts receivable under finance leases:				
Within one year	767	627	94	-
2-5 years inclusive	2,498	2,750	1,229	1,120
After 5 years	27,467	27,982	26,091	21,519
	30,732	31,359	27,414	22,639
Less: Unearned finance income	(3,318)	(8,720)		
Present value of minimum lease payments receivable	27,414	22,639		

## NOTES TO THE FINANCIAL STATEMENTS

**6 Finance lease receivables (continued)**

	2005 £000	2004 £000
Analysed as:		
Non-current finance lease receivables	27,320	22,639
Current finance lease receivables	94	-
	<hr/>	<hr/>
	27,414	22,639
	<hr/>	<hr/>

The average term of finance leases entered into is 11 years.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates to nil% (2004: nil%) per annum.

The fair value of the company's finance lease receivables at 31 December 2005 is estimated at £26 million (2004: £22 million).

The cost of leased assets acquired during the year amounted to £4,319,000 (2004: £15,836,000).

There are no impairment provisions in respect of finance lease receivables.

**7 Amounts owed by group companies**

	2005 £000	2004 £000
Amounts falling due within one year:		
Bank deposits	392	-
Group relief receivable	264	338
	<hr/>	<hr/>
	656	338
	<hr/>	<hr/>

For further details please refer to note 13.

**8 Amounts owed to group companies**

	2005 £000	2004 £000
Amounts falling due within one year:		
Bank overdraft	-	576
Bank borrowings	24,223	21,241
	<hr/>	<hr/>
	24,223	21,817
	<hr/>	<hr/>

For further details please refer to note 13.

# LLOYDS PROPERTY INVESTMENT COMPANY NO. 5 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and the prior period.

	2005 £000	2004 £000
At 1 January	146	77
Charge for the year	103	69
	<hr/>	<hr/>
At 31 December	249	146

The deferred tax charge in the income statement comprises the following temporary differences:

	2005 £000	2004 £000
Accelerated tax depreciation	185	69
Adjustments in respect of prior years	(82)	-
	<hr/>	<hr/>
	103	69

The tax credit for the year has benefited from the recognition of the temporary difference arising on the anticipated future receipt of a premium on which no tax is expected to arise.

Deferred tax liabilities are comprised as follows:

Deferred tax liabilities

Accelerated tax depreciation	249	246
	<hr/>	<hr/>

### 10 Share capital

	2005 £	2004 £
Authorised, allotted and issued: Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

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

**11 Retained earnings**

	2005 £000	2004 £000
At 1 January	1,755	151
Net profit for the year	2,325	1,704
Dividends paid	(500)	(100)
	<hr/>	<hr/>
At 31 December	3,580	1,755
	<hr/>	<hr/>

**12 Notes to the cash flow statement**

	2005 £000	2004 £000
<b>Profit from operations</b>	1,046	705
	<hr/>	<hr/>
<b>Operating cash flows before movements in working capital</b>	1,046	705
Decrease/(increase) in receivables	(3,440)	(16,416)
Increase/(decrease) in payables	2,406	15,130
	<hr/>	<hr/>
<b>Cash generated by operations</b>	12	(581)
Group relief received	1,456	737
	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	1,468	156
	<hr/>	<hr/>

**13 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	2005 £000	2004 £000
Bank deposits	Ultimate parent undertaking	392	-
Group relief receivable	Ultimate parent undertaking	264	338
Bank overdraft	Ultimate parent undertaking	-	(576)
Bank borrowings	Ultimate parent undertaking	(24,223)	(21,241)

The bank deposits and bank overdraft are non-interest bearing and are repayable on demand. The bank borrowings are non-interest bearing and are payable on maturity.

The company paid a management fee of £101,000 (2004: £105,000) to its immediate parent company, Lloyds TSB Leasing Limited, during the year.

The company received group relief of £1,456,000 (2004: £737,000) during the year from Lloyds TSB Bank plc.

## NOTES TO THE FINANCIAL STATEMENTS

**14 Adoption of International Financial Reporting Standards**

This is the first year that the company has presented its financial statements under IFRS. IFRS differs in certain respects from the Company's previous accounting policies, which complied with UK Generally Accepted Accounting Principles ('UK GAAP'). Set out below are explanations and reconciliations showing the effect of adoption of IFRS.

**Accounting changes effective from 1 January 2004 and which impact 2004 comparatives:****(a) Leasing (IAS 17)**

IFRS requires income from finance leases to be credited to the income statement to give a constant pre-tax rate of return on the net investment in the lease; UK GAAP required a constant post-tax rate of return on the net cash investment in the lease.

**(b) Dividends (IAS 10)**

Under IFRS equity dividends declared after balance sheet date may not be included as a liability at the balance sheet date.

**(c) Deferred tax (IAS 12)**

The change in the deferred tax liability is a direct result of the change in net book value of leased assets and the reversal of tax equalisation.

The following disclosures are required at the date of transition being 1 January 2004.

**Restated Company balance sheet (reconciliation of equity) at 1 January 2004**

	UK GAAP £000	IAS17 £000	Dividends £000	IAS12 £000	IFRS £000
Finance lease receivables	6,788	25	-	-	6,813
Other debtors	753	-	-	-	753
<b>Total assets</b>	<b>7,541</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>7,566</b>
Deferred taxation	(48)	-	-	(30)	(78)
Other creditors	(7,437)	-	100	-	(7,337)
<b>Total liabilities</b>	<b>(7,485)</b>	<b>-</b>	<b>100</b>	<b>(30)</b>	<b>(7,415)</b>
<b>Total assets and liabilities</b>	<b>56</b>	<b>25</b>	<b>100</b>	<b>(30)</b>	<b>151</b>
Issued capital	-	-	-	-	-
Retained earnings	56	25	100	(30)	151
<b>Total equity</b>	<b>56</b>	<b>25</b>	<b>100</b>	<b>(30)</b>	<b>151</b>



## NOTES TO THE FINANCIAL STATEMENTS

**14 Adoption of International Financial Reporting Standards (continued)**

The last financial statements were for the year ended 31 December 2004. The impact of restating these financial statements for IFRS is as follows:

**Restated Company income statement (reconciliation of profit) for the year ended 31 December 2004**

	UK GAAP £000	IAS17 £000	Dividends £000	IAS12 £000	IFRS £000
Finance income	302	508	-	-	810
Administrative expenses	(105)	-	-	-	(105)
<b>Profit before tax</b>	<b>197</b>	<b>508</b>	<b>-</b>	<b>-</b>	<b>705</b>
Taxation	355	-	-	644	999
<b>Profit after tax</b>	<b>552</b>	<b>508</b>	<b>-</b>	<b>644</b>	<b>1,704</b>

**Restated Company balance sheet (reconciliation of equity) at 31 December 2004**

	UK GAAP £000	IAS17 £000	Dividends £000	IAS12 £000	IFRS £000
Finance lease receivables	22,107	532	-	-	22,639
Other debtors	1,673	-	-	-	1,673
<b>Total assets</b>	<b>23,780</b>	<b>532</b>	<b>-</b>	<b>-</b>	<b>24,312</b>
Deferred taxation	(761)	-	-	615	(146)
Other creditors	(22,911)	-	500	-	(22,411)
<b>Total liabilities</b>	<b>(23,672)</b>	<b>-</b>	<b>500</b>	<b>615</b>	<b>(22,557)</b>
<b>Total assets less total liabilities</b>	<b>108</b>	<b>-</b>	<b>500</b>	<b>615</b>	<b>1,755</b>
Issued capital	-	-	-	-	-
Retained earnings	108	532	500	615	1,755
<b>Total equity</b>	<b>108</b>	<b>532</b>	<b>500</b>	<b>615</b>	<b>1,755</b>

There was no impact of restating the 31 December 2004 balance sheet for IAS32/39 at 1 January 2005.