

LLOYDS INVESTMENT BONDS LIMITED

31 December 2003



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Member of Lloyds TSB Group

LLOYDS INVESTMENT BONDS LIMITED
25 Gresham Street London EC2V 7HN

DIRECTORS

A J Cumming (Alternate: M A Grant)
A R Foad
M W Joseph
P B Miles
A B Vowles (Alternate: A M Basing)

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London EC2V 7HN

REGISTERED NUMBER

2468722

LLOYDS INVESTMENT BONDS LIMITED

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITY

The principal activity of the company is identifying investment opportunities and making suitable investments.

The business of the company is conducted in US dollars and correspondingly accounts have been prepared in that currency.

RESULTS

The loss after taxation for the year ended 31 December 2003 amounted to US\$18,988,000 (2002: US\$16,884,000) as set out in the profit and loss account on page 5.

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
A M Basing*	7 July 2004	
A J Cumming	22 December 2003	
A R Foad**		13 August 2003
A R Foad	14 August 2003	
M J Green		3 December 2003
M A Grant***	22 December 2003	
M W Joseph	9 June 2004	
R S King		31 October 2003
D P Pritchard		9 May 2003
F M P Riding		29 December 2003
R R Seggins		4 July 2003
G T Tate	29 December 2003	5 May 2004
A B Vowles****		31 October 2003
A B Vowles	29 December 2003	

* alternate to A B Vowles

** alternate to P B Miles

*** alternate to A J Cumming

**** alternate to R S King

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.

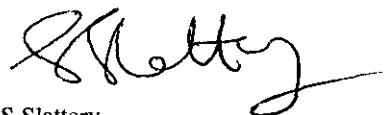
POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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 2003, 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

8 September 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS INVESTMENT BONDS LIMITED

We have audited the financial statements which comprise profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described below, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom law and accounting standards. 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 are 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 December 2003 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors

The Quay
30 Channel Way
Ocean Village
Southampton
SO14 3QG

8 September 2004

ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, in compliance with the Companies Act 1985 and in accordance with applicable accounting standards. The company prepares its accounts in US dollars which is its functional currency. The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 (Revised) is included in the accounts of its ultimate parent company. In addition advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Lloyds TSB Group plc or other group or associated undertakings as the consolidated accounts of Lloyds TSB Group plc in which the company is included are publicly available.

(a) Basis of preparation

The company is exempted by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts.

(b) Investment

Income from investments is recognised when received.

Investments are stated in the balance sheet at lower of cost and estimated net realisable value.

(c) Currency translation

Transactions, if any, denominated in sterling are translated into dollars at the average rate of exchange during the year. Assets and liabilities are translated at the rate of exchange ruling at the year end (US\$1.79/£1).

Any exchange differences are taken to the profit and loss account when they arise.

(d) Interest rate swaps

The company in the course of its business enters into interest rate swap contracts, to reduce its exposure to fluctuations in interest rates on borrowings where the associated finance lease income is at a fixed rate. The amounts receivable and payable on these swaps are included in the profit and loss account so as to match the interest payable on the borrowing.

LLOYDS INVESTMENT BONDS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Note	2003 US\$000	2002 US\$000
INTEREST EXPENSE	1	28,663	23,930
OPERATING EXPENSE			
Exchange difference		(1,538)	(693)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		27,125	23,237
TAXATION CREDIT	3	8,137	6,353
LOSS AFTER TAXATION	7	18,988	16,884

There are no further gains or losses attributable to the shareholder other than those disclosed above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year as stated above and their historical cost equivalents.

The notes on pages 7 to 9 form part of these accounts.

LLOYDS INVESTMENT BONDS LIMITED

BALANCE SHEET
at 31 December 2003

	Note	2003 US\$000	2002 US\$000
ASSETS			
FIXED ASSETS			
Investments	4	418,616	418,616
CURRENT ASSETS			
DEBTORS			
Amounts owed by group companies	5	25,570	16,142
		<hr/>	<hr/>
		444,186	434,758
		<hr/>	<hr/>
LIABILITIES			
SHAREHOLDER'S FUNDS			
Called up share capital	6	16	16
Profit and loss account	7	(51,200)	(32,212)
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	8	(51,184)	(32,196)
CREDITORS – Amounts falling due within one year			
Amounts owed to group companies	9	495,370	466,954
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		444,186	434,758
		<hr/>	<hr/>



P B Miles
Director

8 September 2004

The notes on pages 7 to 9 form part of these accounts.

LLOYDS INVESTMENT BONDS LIMITED

NOTES TO THE ACCOUNTS

1 INTEREST EXPENSE

	2003 US\$000	2002 US\$000
Interest expense comprises:		
Interest payable to group companies on bank loans and overdrafts	28,663	23,930

2 ADMINISTRATIVE EXPENSES

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.

3 TAXATION

	2003 US\$000	2002 US\$000
(a) The credit for the year comprises:		
Group relief receivable on current taxation loss for the year	8,599	6,505
Adjustment in respect of prior years	(462)	(152)
Total group relief receivable for year (Note 3 (b))	8,137	6,353

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

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

Loss on ordinary activities before taxation	27,125	23,237
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002:30%)	8,137	6,971
Permanent differences	462	(466)
Adjustment in respect of prior years	(462)	(152)
Total group relief receivable for year (Note 3 (a))	8,137	6,353

4 INVESTMENT IN SUBSIDIARY UNDERTAKING

	2003 US\$000	2002 US\$000
At 1 January 2003	418,616	304,759
Additions during the year	-	113,857
At 31 December 2003	418,616	418,616

The subsidiary company, which is wholly owned by the company, is Silentdale Limited.

LLOYDS INVESTMENT BONDS LIMITED

NOTES TO THE ACCOUNTS

5 AMOUNTS OWED BY GROUP COMPANIES

	2003 US\$000	2002 US\$000
Bank deposits	20,012	10,966
Amounts due from fellow subsidiary undertakings	2,290	2,290
Group relief receivable	3,268	2,886
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	25,570	16,142
	<hr/>	<hr/>

6 CALLED UP SHARE CAPITAL

	2003 US\$000	2002 US\$000
Authorised, allotted and issued fully paid: 10,000 ordinary shares of £1 each	16	16
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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.

7 PROFIT AND LOSS ACCOUNT

	US\$000
At 1 January 2003	(32,212)
Retained loss for the year	(18,988)
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At 31 December 2003	(51,200)
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8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2003 US\$000	2002 US\$000
Loss for the year after taxation/net decrease in capital and reserves	(18,988)	(16,884)
Shareholder's funds at beginning of year	(32,196)	(15,312)
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Shareholder's funds at end of year	(51,184)	(32,196)
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LLOYDS INVESTMENT BONDS LIMITED

NOTES TO THE ACCOUNTS

9 AMOUNTS OWED TO GROUP COMPANIES

	2003 US\$000	2002 US\$000
Amounts falling due within one year:		
Bank overdraft	823	3,017
Bank borrowings	491,096	460,447
Interest payable	3,451	3,242
Group relief payable	-	248
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	495,370	466,954
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10 COMMITMENTS TO GROUP COMPANY

The underlying principal amount of interest swap contracts and the replacement cost obtained by marking to market are:

	2003 US\$000	2002 US\$000
Underlying principal amount	469,347	446,848
Replacement cost	45,369	40,471

11 DATE OF APPROVAL

The directors approved the accounts on 8 September 2004.