1343356

A.L.I.H. (PROPERTIES) LIMITED

Financial Statements

2008

Financial Statements 2008

Contents

Directors

Henry L Richards
James M Brady
Duncan R Jenkins

Secretary

James M Brady CA

Registered Office

1 Buckingham Place
London SW1E 6HR

Registered number

Registered in England, No. 1343356

Bankers

National Westminster Bank PLC
208 Piccadilly, London W1A 2DG

Auditors

KPMG Audit Plc
Chartered Accountants
One Canada Square, London E14 5AG

Directors' Report

The Directors present their report and the Company's financial statements for the year ended 31 December 2008.

Principal activity

The principal activity of the Company is to invest in land appropriate for development.

Results and dividends

The profit for the year, after taxation, amounted to £243,171 *(2007 - £496,479).* No dividends have been paid or proposed *(2007 - Nil).*

Investment properties

The movements in Investment Properties are summarised in Note 7 to the Financial Statements, The Company's freehold properties were valued at open market value by independent external valuers, FPD Savills Limited and DTZ Debenham Tie Leung, Chartered Surveyors, as at 31 December 2008. The results of the valuations are included in the financial statements.

Directors

The following were Directors during the year:

H L Richards
J M Brady
R M Drayton (resigned 31 July 2008)
D R Jenkins

Disclosure of information to the Auditors

The Directors who held office at the date of approval of this Directors Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to reappoint KPMG Audit Plc as auditors will be put to the members.

By order of the Board

James M Brady
Secretary

31 March 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. In preparing these 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and a Business Review.

Report of the independent auditors to the members of A.L.I.H. (Properties) Limited

We have audited the financial statements of A.L.I.H. (Properties) Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of A.L.I.H. (Properties) Limited

continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 March 2009

Income Statement

for the year ended 31 December 2008

	Notes	2008 £	2007 £
Gross rental income	2	55,041	51,294
Property operating expenses	3	(19,648)	(18,873)
Net rental and property related income		35,393	32,421
Valuation gains on investment property		299,573	714,073
Provision for overage payable		(11,266)	(44,073)
Net valuation gains on investment property		288,307	670,000
Administration expenses	4	(1,802)	(1,769)
Net profit before finance income		321,898	700,652
Finance income	5	5,854	6,721
Profit before tax		327,752	707,373
Income tax expense	6	(84,581)	(210,894)
Profit for the year attributable to equity shareholders	12	243,171	496,479

There is no difference between the profit for the year and the total recognised income and expense for the year.

The results in the Income Statement relate to continuing operations.

Balance Sheet

at 31 December 2008

	Notes	2008 £	2007 £
Assets			
Non-current assets			
Investment properties	7	1,995,000	1,683,500
Total non-current assets		1,995,000	1,683,500
Current assets			
Trade and other receivables	8	13,041	2,860
Cash and cash equivalents		-	146,446
Total current assets		13,041	149,306
Total assets		2,008,041	1,832,806
Current liabilities			
Bank overdraft		32,179	-
Trade and other payables	9	12,885	11,033
Tax payable		11,240	197,814
Total current liabilities		56,304	208,847
Liabilities			
Non-current liabilities			
Provisions	10	64,307	53,041
Deferred tax	11	80,271	6,930
Total non-current liabilities		144,578	59,971
Total liabilities		200,882	268,818
Net assets		1,807,159	1,563,988
Equity			
Capital and reserves			
Issued share capital	12	100	100
Retained earnings	12	1,807,059	1,563,888
Total equity		1,807,159	1,563,988

Approved by the Board on 31 March 2009

James M Brady
Director

Statement of Cash Flows

For the year ended 31 December 2008

	2008	2007
	£	£
Cash flow from operating activities		
Profit for the year	243,171	496,479
Adjustments for:		
Net valuation gains on investment property	(288,307)	(670,000)
Finance income	(5,854)	(6,721)
Income tax expense	84,581	210,894
Changes in working capital		
Decrease in trading stock	-	498,622
(Increase) in debtors and accrued income	(10,182)	(851)
Increase in creditors and provisions	1,853	3,768
Cash generated from operations	25,262	532,191
Tax paid	(197,814)	(38,252)
Net cash flow from operating activities	(172,552)	493,939
Cash flow from investing activities		
Additions to investment properties	(11,927)	(504,427)
Interest received	5,854	6,721
Net cash flow from investing activities	(6,073)	(497,706)
Net movement in cash and cash equivalents	(178,625)	(3,767)
Cash and cash equivalents at 1 January	146,446	150,213
(Overdraft)/Cash and cash equivalents at 31 December	(32,179)	146,446

Notes to the Financial Statements

For the year ended 31 December 2008

A.L.I.H. (Properties) Limited is a company domiciled in the United Kingdom.

1. Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations as endorsed by the European Union and effective at 31 December 2008. No standards published by the International Accounting Standards Board, but not yet adopted by the European Union at 31 December 2008 have been applied in anticipation. No significant impact is expected from the future application of these standards.

The financial statements were approved by the Directors on 31 March 2009.

(b) Basis of preparation

The financial statements are presented in sterling. They are prepared on the historical cost basis, except that the following assets are stated at their fair value:

- investment properties

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effects on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

(c) Investment property

Investment properties are those held either to earn income or for capital appreciation or both, and are stated at fair value. An external independent valuation company, having an appropriate professional qualification and recent experience in the location and category of property being valued, values the property every year. The fair values are based on market values, being the estimated amount for which the property could be exchanged, on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any loss or gain arising from a change in fair value is recognised in the income statement.

(d) Trading properties

Trading properties are stated at the lower of cost and net realisable value.

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(e) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances held and other short term highly liquid bank deposits with original maturities of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(h) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the future cash flows at a pre-tax rate that reflects current assessments of the time value of money, and where appropriate the risks specific to the liability.

(i) Trade and other payables

Trade and other payables are stated at cost.

(j) Revenue

i) Rental income
Rental income from property let under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income.

ii) Sales of properties
Revenue from the sale of properties is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, on the exchange of unconditional contracts for sale.

iii) Interest income
Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

Notes to the Financial Statements

For the year ended 31 December 2008

1. Significant accounting policies (continued)

(k) Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for tax in respect of all temporary timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be used.

Notes to the Financial Statements

For the year ended 31 December 2008

2. Gross rental income

	2008	2007
	£	£
Rental income	55,041	51,294
	55,041	51,294

3. Property operating expenses

	2008	2007
	£	£
Management expenses	19,648	18,873
	19,648	18,873

The Company does not receive service charge income in respect of its investment properties.

4. Administration expenses

	2007	2007
	£	£
Audit fees	1,725	1,763
Other	77	6
	1,802	1,769

No Director received any remuneration in respect of his services to the Company in either year. The Company did not employ any staff during the year *(2007 - None)*.

5. Finance income

	2008	2007
	£	£
Interest income	5,854	6,721
	5,854	6,721

6. Income tax expense

	2008	*2007*
Recognised in the income statement	£	£
Current tax expense		
Current tax	11,240	197,814
Deferred tax expense		
Origination and reversal of temporary differences	73,341	13,080
Total income tax expense	84,581	210,894

Reconciliation of effective tax rate

	2008	2008	2007	2007
	£	%	£	%
Profit before tax	327,752		707,373	
Tax at the UK standard rate	93,409	28.50	212,212	30.00
Indexation of net valuation gains on revaluation	(8,828)	(2.69)	(1,318)	(0.19)
	84,581	25.81	210,894	29.81

Notes to the Financial Statements

For the year ended 31 December 2008

7. Investment properties

	£
Balance at 1 January 2007	465,000
Additions	2,937
Transfer from trading properties	501,490
Revaluation	714,073
Balance at 31 December 2007	1,683,500
Balance at 1 January 2007	1,683,500
Additions	11,927
Revaluation	299,573
Balance at 31 December 2007	1,995,000

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Company's investment property.

The Company's investment properties consist of land held for potential long term development. These properties are leased to third parties on short term tenancies.

Two of the investment properties are subject to an overage agreement with the vendors of the properties. Under this agreement a proportion of the gain on eventual sale of the relevant asset is payable to the vendor. The Company makes a provision for the estimated overage payable if the assets were sold at their carrying value at the year end. The amount of this provision, which was included in long term provisions at the balance sheet date was £64,307 *(2007 - £53,041),* see Note 11.

8. Trade and other receivables

	2008	2007
	£	£
Trade receivables	12,615	2,746
Other receivables	426	114
	13,041	2,860

9. Trade and other payables

	2008	2007
	£	£
Trade payables	1,865	32
Accrued expenses	11,020	11,001
	12,885	11,033

10. Provisions

Provision for overage payments on revaluations	2008	2007
	£	£
Balance at 1 January	53,041	8,968
Provisions charged during the year	11,266	44,073
Balance at 31 December	64,307	53,041

11. Deferred tax liabilities

Recognised deferred tax liabilities

	2008	2007
Investment property revaluation	80,271	6,930
Deferred tax liabilities	80,271	6,930

Movement in temporary differences during the year

	Balance 1 Jan 2007	Recognised in income	Balance 31 Dec 2007
	£	£	£
Investment property revaluation	(6,150)	13,080	6,930
	(6,150)	*13,080*	*6,930*

	Balance 1 Jan 2008	Recognised in income	Balance 31 Dec 2008
	£	£	£
Investment property revaluation	6,930	73,341	80,271
	6,930	73,341	80,271

12. Capital and reserves

Reconciliation of movement in capital and reserves

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2007	*100*	*1,067,409*	*1,067,509*
Total recognised income and expense	*-*	*496,479*	*496,479*
Balance at 31 December 2007	*100*	*1,563,888*	*1,563,988*
Balance at 1 January 2008	100	1,563,888	1,563,988
Total recognised income and expense	-	243,171	243,171
Balance at 31 December 2008	100	1,807,059	1,807,159

Share capital

	Number of shares 2008	*2007*
Shares in issue		
At 1 January and 31 December	100	*100*

At 31 December 2008, the authorised share capital comprised 100 Ordinary Shares of £1 each *(2007 - 100 shares).*

13. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

a) credit risk

b) liquidity risk

c) market risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

13. Financial risk management (continued)

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has a credit policy in place, and the majority of its property leases have provisions for charging interest on late payments by debtors. There is no significant concentration of credit risk. Trade and other receivables are carried in the Balance Sheet at face value less a provision for doubtful debts. The amount provided is estimated by the Directors, based on previous experience and a review of specific receivable balances. Unless there are exceptional circumstances there will be a provision made against any trade receivable which is over 90 days old.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.The maximum exposure to credit risk at the reporting date was:

Carrying Amount	**2008**	**2007**
	£	**£**
Trade & other receivables	13,041	2,860
Cash and cash equivalents	-	146,446
	13,041	149,306

There were no material balances within the trade and other receivable balances at 31 December 2008 or 31 December 2007.

Impairment losses

The value of amounts past their due date and the impairment provision is immaterial.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages the liquidity risk by closely monitoring cash flow requirements and optimising its cash return on investments. The Company will place its funds on deposit for varying periods to ensure funds are always available for unforeseen circumstances. In addition the Company has access to the Group unsecured overdraft facility of £5 million on which interest would be payable at 1% above bank base rate.

The Group financial liabilities at 31 December 2008 and 2007 were:

Carrying Amount	**2008**	**2007**
	£	**£**
Bank overdraft	32,179	-
Trade & other payables	1,865	32
Accruals & deferred income	11,020	11,001
	45,064	11,033

Trade payables are payable within 1 month, accruals and deferred income will fall due for payment within 3 to 6 months and the bank overdraft is payable on demand.

13. Financial risk management (continued)

c) Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Company's income or the value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

Interest rate risk

At the reporting date the profile of the Company's interest bearing financial assets and liabilities was:

	2008	*2007*
	£	*£*
Variable rate instruments		
(Overdraft)/Cash and cash equivalents	(32,179)	146,446

The Company's cash and cash equivalents receive interest related to the prevailing base rate.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates over a 12 month period based on the financial instruments included at the reporting date would have incresed or decreased equity and profit and loss by the amounts shown below. This analysis assumes all other variables remain constant.

	31 December '2008	31 December '2007
	£	£
Effect of 100 bps change	+/- 322	+/- 1,464

Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Carrying Amount 2008	Fair Value 2008	Carrying Amount 2007	Fair Value 2007
	£	*£*	£	*£*
Trade & other receivables	13,041	*13,041*	2,860	*2,860*
Cash and cash equivalents	-	-	146,446	*146,446*
Bank overdraft	32,179	*32,179*	-	-
Trade & other payables	1,865	1,865	32	*32*
Accruals and deferred income	11,020	11,020	11,001	11,001

Estimation of fair values

The assets and liabilities in the table above all have a remaining life of less than one year so the carrying value is deemed to approximate to fair value.

Notes to the Financial Statements

For the year ended 31 December 2008

14. Related parties

The Company has related party transactions with its Directors, and with its parent company, Lands Improvement Holdings plc.

Transactions with Directors

The Company paid no remuneration to any of its Directors in the year ended 31 December 2008. *(2007 - Nil).*

Transactions with parent company

The Company is a wholly owned subsidary of Lands Improvement Holdings plc which is the parent undertaking of the smallest group for which group accounts are drawn up. At 31 December 2008 the ultimate parent undertaking was HBOS plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group financial statements were drawn up and of which the Company is a member. Copies of the financial statements of HBOS plc for the year ended 31 December 2008 can be obtained from HBOS's registered office at The Mound, Edinburgh EH1 1YZ. From 16 January 2009 the ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group) which is incorporated in Scotland.

There were no related party transactions with Lands Improvement Holdings plc during the year.

Transactions with associated companies

Related party transactions with fellow subsidiaries of Lands Improvement Holdings plc amounted to:

	2008	2007
	£	£
Purchases of planning consultancy services	1,865	-

15. Accounting estimates and judgements

Investment property valuations

The Group was carrying out infrastructure and construction work on certain investment properties at the year end. In connection with the valuation of these properties, the cost to complete the works is estimated on the basis of previous experience. Any variance in the cost to complete may affect the gain or loss on valuation of the properties in future periods.

The Company carries its investment properties and any options in relation to investment properties at external valuation. These valuations are subject to many external factors which effect the United Kingdom property market and are therefore, to an extent, outside the control of the company.

16. Contingencies

The Company gives cross guarantees in favour of National Westminster Bank plc to secure all monies from time to time owing to the bank by individual companies in the Lands Improvement Holdings plc group. The group's accounts with the bank are subject to an offset arrangement. The total overdraft balances within the offset arrangement at 31 December 2008 amounted to £13,129,000 *(2007 - £16,186,000).*