

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

Report & Accounts

2003



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A.L.I.H. (Properties) Limited

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A.L.I.H. (Properties) Limited

Directors

Henry L Richards
Noel M Stephens
Robin M Drayton

Secretary

Robin M Drayton FCA

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

A.L.I.H. (Properties) Limited

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company is to hold and trade in land appropriate for development.

RESULTS FOR THE YEAR

The profit for the year, after taxation, amounted to £1,247,183 (2002 – £925,063). The Directors do not recommend the payment of a dividend (2002 – Nil). The retained profit for the year has been added to reserves.

MARKET VALUE OF LAND AND BUILDINGS

The Company's investment properties were valued at open market value by the Directors on the advice of independent external valuers, FPD Savills Limited, Chartered Surveyors, as at 31 December 2003. The valuation of £140,512 has been incorporated in these accounts.

DIRECTORS

The Directors listed on page 2 held office at 31 December 2003, and throughout the year.

DIRECTORS' INTERESTS

None of the Directors had any interests in the shares of the Company, either at the beginning or at the end of the year. The interests of the Directors in the shares of the Company's ultimate parent, HBOS plc, are shown in the accounts of Lands Improvement Holdings plc, the Company's immediate parent company.

AUDITORS

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

A.L.I.H. (Properties) Limited

DIRECTORS' REPORT (continued)

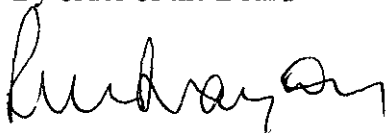
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which 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 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.

By order of the Board



Robin M Drayton
Secretary

10 February 2004

A.L.I.H. (Properties) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.L.I.H. (PROPERTIES) LIMITED

We have audited the financial statements on pages 7 to 14.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

A.L.I.H. (Properties) Limited

INDEPENDENT AUDITORS' REPORT (continued)

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 its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

One Canada Square, London E14 5AG

10 February 2004

A.L.I.H. (Properties) Limited**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2003

	Notes	2003 £	2002 £
TURNOVER: continuing operations	2	3,043,145	2,079,535
Cost of sales		<u>(1,405,577)</u>	<u>(935,994)</u>
GROSS PROFIT		1,637,568	1,143,541
Administrative expenses		(37,588)	(1,291)
Reduction in carrying value of trading properties		-	(4,800)
Other operating income	3	<u>27,077</u>	<u>47,595</u>
OPERATING PROFIT: continuing operations	4	1,627,057	1,185,045
Profit on disposal of investment properties		<u>75,201</u>	<u>97,687</u>
PROFIT BEFORE INTEREST AND TAXATION		1,702,258	1,282,732
Interest receivable		<u>36,475</u>	<u>15,545</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,738,733	1,298,277
Tax on profit on ordinary activities	5	<u>(491,550)</u>	<u>(373,214)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR		<u>1,247,183</u>	<u>925,063</u>

A.L.I.H.(Properties) Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2003

	2003	2002
	£	£
Profit for the financial year	1,247,183	925,063
Unrealised surplus on revaluation of investment properties	<u>20,512</u>	<u>1,248</u>
Total recognised gains and losses for the financial year	<u><u>1,267,695</u></u>	<u><u>926,311</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 2003

	2003	2002
	£	£
Reported profit on ordinary activities before taxation	1,738,733	1,298,277
Realisation of property revaluation surpluses and deficits	<u>-</u>	<u>24,168</u>
Historical cost profit on ordinary activities before tax	<u><u>1,738,733</u></u>	<u><u>1,322,445</u></u>
Historical cost retained profit for the year	<u><u>1,247,183</u></u>	<u><u>949,231</u></u>

A.L.I.H. (Properties) Limited

BALANCE SHEET

at 31 December 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Investment properties	6	<u>140,512</u>	<u>142,079</u>
CURRENT ASSETS			
Trading properties		516,015	1,336,262
Debtors	7	751	1,685,808
Cash at bank		<u>2,239,371</u>	<u>824,184</u>
		2,756,137	3,846,254
CREDITORS - amounts falling due within one year	8	<u>(510,042)</u>	<u>(2,869,421)</u>
NET CURRENT ASSETS		<u>2,246,095</u>	<u>976,833</u>
NET ASSETS		<u>2,386,607</u>	<u>1,118,912</u>
CAPITAL AND RESERVES			
Called-up share capital	9	100	100
Profit and loss account	10	2,363,497	1,116,314
Revaluation reserve	10	<u>23,010</u>	<u>2,498</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>2,386,607</u>	<u>1,118,912</u>

Approved by the Board on 10 February 2004



Noel M Stephens
Director

NOTES ON THE ACCOUNTS

for the year ended 31 December 2003

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention on a going concern basis, modified by the revaluation of freehold properties, and in accordance with applicable accounting standards.

(b) Investment properties

Investment properties are revalued annually at open market value and any surplus or temporary deficit is transferred to the revaluation reserve. Permanent deficits on individual properties are charged in the profit and loss account which is also credited with any subsequent reversals.

In accordance with SSAP 19 no depreciation is provided in respect of freehold investment properties. This is a departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated. These properties are held for investment purposes, not consumption, and the Directors consider that an annual depreciation charge would be inappropriate. The accounting policy adopted is necessary for the accounts to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount of depreciation which might otherwise be shown cannot be separately identified or quantified.

(c) Stocks

Land and buildings held as trading stock are stated at the lower of cost and net realisable value. Cost of land and buildings includes the purchase price, costs of acquisition and expenditure on planning and improvements.

(d) Deferred taxation

In accordance with FRS 19 "Deferred Tax", deferred taxation is provided fully on a non-discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and accounts purposes.

No provision is made in respect of tax liabilities which would arise if fixed asset properties were sold in their existing state at their book values, unless it is intended to dispose of these assets.

NOTES ON THE ACCOUNTS

for the year ended 31 December 2003

1. ACCOUNTING POLICIES *(continued)***(e) Cash flow statement**

The Company has taken advantage of the exemption contained in FRS 1 allowing it not to prepare a cash flow statement because it is a wholly owned subsidiary of Lands Improvement Holdings plc, which publishes a cash flow statement.

(f) Transactions with related parties

The Company is not required by FRS 8 to disclose transactions with related parties within the Lands Improvement Holdings plc group because all these companies are more than 90% controlled by undertakings within the group.

2. TURNOVER	2003	2002
	£	£
Rental income from investment properties	5,100	11,066
Sales of trading properties	<u>3,038,045</u>	<u>2,068,469</u>
	<u><u>3,043,145</u></u>	<u><u>2,079,535</u></u>
 3. OTHER OPERATING INCOME	 2003	 2002
	£	£
Net rents receivable on properties held as trading stock	<u>27,077</u>	<u>47,595</u>
 4 OPERATING PROFIT is stated after charging:	 2003	 2002
	£	£
Auditors' remuneration	<u>1,400</u>	<u>1,175</u>

The Company did not employ any staff during the year (2002 - Nil), other than the Directors who received no remuneration (2002 - £Nil).

A.L.I.H. (Properties) Limited

NOTES ON THE ACCOUNTS

for the year ended 31 December 2003

	2003	2002
	£	£
5. TAXATION		
Analysis of the charge for the year		
UK corporation tax on the profit of the year at 30%	503,144	373,214
Adjustment in respect of previous years	<u>(11,594)</u>	<u>-</u>
	491,550	373,214
Deferred taxation	<u>-</u>	<u>-</u>
Total tax on profit on ordinary activities	<u>491,550</u>	<u>373,214</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>1,738,733</u>	<u>1,298,277</u>
Tax at the UK standard rate of 30%	521,620	389,483
Expenses not deductible for tax purposes	-	1,440
Indexation of capital gains	(6,555)	(17,709)
Capital losses brought forward	(11,921)	-
Adjustments in respect of prior years	<u>(11,594)</u>	<u>-</u>
	<u>491,550</u>	<u>373,214</u>

Factors which may affect future tax charges

No provision is made in respect of tax liabilities which would arise if fixed asset properties were sold in their existing state at their book values, unless it is intended to dispose of these assets. The potential liability to tax if all revalued fixed asset properties were sold at their book values at 31 December 2003 was £4,942 (2002 - £Nil).

NOTES ON THE ACCOUNTS

for the year ended 31 December 2003

6. INVESTMENT PROPERTIES

	£
Cost or valuation at 1 January 2003	142,079
Additions	-
Disposals	(22,079)
Revaluation	<u>20,512</u>
Valuation at 31 December 2003	<u><u>140,512</u></u>

Freehold land held as investment property was valued at open market value by the Directors on the advice of independent external valuers, FPD Savills Limited, Chartered Surveyors, as at 31 December 2003.

The historical cost of investment properties at 31 December 2003 was £117,502 (2002 - £150,794).

7. DEBTORS

	2003 £	2002 £
Trade debtors	751	30,815
Other debtors	-	1,650,000
Prepayments and accrued income	<u>-</u>	<u>4,993</u>
	<u><u>751</u></u>	<u><u>1,685,808</u></u>

8. CREDITORS - amounts falling due within one year:

	2003 £	2002 £
Trade creditors	331	8,541
Amounts owed to group undertakings	-	2,412,976
Current corporation tax	503,144	373,214
Accruals and deferred income	<u>6,567</u>	<u>74,690</u>
	<u><u>510,042</u></u>	<u><u>2,869,421</u></u>

Amounts owed to the parent undertaking are interest free, unsecured and with no fixed date for repayment.

NOTES ON THE ACCOUNTS

for the year ended 31 December 2003

9. SHARE CAPITAL		2003	2002
		£	£
Authorised allotted and fully paid 100 ordinary shares of £1 each		<u>100</u>	<u>100</u>
10 RESERVES	Revaluation Reserve £	Profit & Loss Account £	Total £
At 1 January 2003	2,498	1,116,314	1,118,812
Retained profit for the year	-	1,247,183	1,247,183
Revaluation	<u>20,512</u>	<u>-</u>	<u>20,512</u>
At 31 December 2003	<u>23,010</u>	<u>2,363,497</u>	<u>2,386,507</u>
11 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		2003	2002
		£	£
Total recognised gains		1,267,695	926,311
Opening equity shareholder's funds		<u>1,118,912</u>	<u>192,601</u>
Closing equity shareholders' funds		<u>2,386,607</u>	<u>1,118,912</u>

12. COMMITMENTS AND CONTINGENCIES

The Company has given a cross-guarantee in favour of National Westminster Bank PLC on behalf of its parent undertaking and certain other companies to secure all monies from time to time owing to the said bank by the parent undertaking and the other group undertakings.

13. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Lands Improvement Holdings plc which is the parent undertaking of the smallest group for which group accounts are drawn up. The ultimate parent undertaking, and the largest group for which group accounts are drawn up and of which the Company is a member, is HBOS plc. Copies of HBOS plc's accounts can be obtained from The Mound, Edinburgh EH1 1YZ.