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

Financial Statements

2009

Financial Statements 2009

Contents

Directors

Henry L Richards
James M Brady
Duncan R Jenkins
R M Pilkington
K P J Moriarty

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 2009

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 £241,009 *(2008 - £243,171)* No dividends have been paid or proposed *(2008 - 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 at 31 December 2009 by those directors of A L I H Properties Limited who are chartered surveyors 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
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

Following the acquisition of the Company by Empire LIH Limited, new auditors PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting

By order of the Board

James M Brady
Secretary

30 April 2010

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 law

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 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent Auditors' report 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 2009 set out on pages 7 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 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 auditors' 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

As explained more fully in the directors' responsibilities statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, 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

Independent Auditors' report to the members of A.L.I.H. (Properties) Limited
Continued

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

W.E.J Holland
(Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
London
30 April 2010

Income Statement

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Gross rental income	2	54,083	55,041
Property operating expenses	3	(118,833)	(19,648)
Net rental and property related (expense)/ income		(64,750)	35,393
Valuation gains on investment property	7	201,918	299,573
Decrease/(increase) in provision for overage payable	10	25,420	(11,266)
Net valuation gains on investment property		227,338	288,307
Administration expenses	4	(1,512)	(1,802)
Net profit before finance income		161,076	321,898
Finance income	5	27	5,854
Finance expense	5	(365)	-
Net finance (expense)/income		(338)	5,854
Profit before tax		160,738	327,752
Income tax credit/(expense)	6	80,271	(84,581)
Profit for the year attributable to equity shareholders		241,009	243,171

There is no difference between the profit for the year and the comprehensive income for the year

The results in the Income Statement relate to continuing operations

Statement of Changes in Equity

for the year ended 31 December 2009

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2008	100	1,563,888	1,563,988
Total comprehensive income	-	243,171	243,171
Balance at 31 December 2008	100	1,807,059	1,807,159
Balance at 1 January 2009	100	1,807,059	1,807,159
Total comprehensive income	-	241,009	241,009
Balance at 31 December 2009	100	2,048,068	2,048,168

Balance Sheet

at 31 December 2009

	Notes	2009 £	2008 £
Assets			
Non-current assets			
Investment properties	7	2,196,918	1,995,000
Total non-current assets		2,196,918	1,995,000
Current assets			
Trade and other receivables	8	-	13,041
Total current assets		-	13,041
Total assets		2,196,918	2,008,041
Current liabilities			
Bank overdraft		1,951	32,179
Trade and other payables	9	96,672	12,885
Tax payable		11,240	11,240
Total current liabilities		109,863	56,304
Liabilities			
Non-current liabilities			
Provisions	10	38,887	64,307
Deferred tax	11	-	80,271
Total non-current liabilities		38,887	144,578
Total liabilities		148,750	200,882
Net assets		2,048,168	1,807,159
Equity			
Capital and reserves			
Issued share capital	12	100	100
Retained earnings		2,048,068	1,807,059
Total equity		2,048,168	1,807,159

Approved by the Board on 30 April 2010

James M Brady
Director
Company registered number 1343356

Statement of Cash Flows

For the year ended 31 December 2009

	2009	2008
	£	£
Cash flow from operating activities		
Profit for the year	241,009	243,171
Adjustments for		
Net valuation gains on investment property	(227,338)	(288,307)
Finance expense/(income)	338	(5,854)
Income tax (credit)/expense	(80,271)	84,581
Changes in working capital		
Decrease/(increase) in trade and other receivables	13,041	(10,182)
Increase in trade and other payables	83,787	1,853
Cash generated from operations	30,566	25,262
Interest (paid)/received	(338)	5,854
Tax paid	-	(197,814)
Net cash from/(used in) operating activities	30,228	(166,698)
Cash flow from investing activities		
Additions to investment properties	-	(11,927)
Net cash flow from investing activities	-	(11,927)
Net movement in cash and cash equivalents	30,228	(178,625)
(Overdraft)/Cash and cash equivalents at 1 January	(32,179)	146,446
Overdraft at 31 December	(1,951)	(32,179)

Notes to the Financial Statements

For the year ended 31 December 2009

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 2009 No standards published by the International Accounting Standards Board, but not yet adopted by the European Union at 31 December 2009 have been applied in anticipation No significant impact is expected from the future application of these standards

The following adopted IFRSs relevant to the company have been applied to these financial statements for the first time in 2009 with new disclosures and comparatives accordingly There is no financial impact arising from the adoption of these standards, only presentational changes and some additional or expanded notes to the accounts

1)Revised IAS 1 "Presentation of Financial Statements" which impacts the presentation and format of the primary statements resulting in a Statement of Comprehensive Income accompanying the Income Statement and the inclusion of a Statement of Changes in Equity as a primary statement

2)Amendments to IFRS 7 "Financial Instruments Disclosures - Improving Disclosures about Financial Instruments" which requires enhanced disclosures about fair value measurement and liquidity risk In particular, the amendment requires disclosure of fair value measurements by level of a fair value hierarchy

The financial statements were approved by the Directors on 30 April 2010

(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
- other investments

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

Notes to the Financial Statements

For the year ended 31 December 2009

1. **Significant accounting policies (continued)**

(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, or a director of the 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

(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

Notes to the Financial Statements

For the year ended 31 December 2009

1. Significant accounting policies (continued)

(j) Revenue (continued)

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

(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 2009

2 Gross rental income

	2009	2008
	£	£
Rental income	54,083	55,041
	54,083	55,041

3 Property operating expenses

	2009	2008
	£	£
Management expenses	118,833	19,648
	118,833	19,648

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

4 Administration expenses

	2009	2008
	£	£
Audit fees	1,500	1,725
Other	12	77
	1,512	1,802

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 *(2008 - None)*

5. Net finance (expense)/income

	2009	2008
	£	£
Interest income	27	5,854
Interest expense	(365)	-
	(338)	5,854

6 Income tax (credit)/expense

	2009	2008
Recognised in the income statement	£	£
Current tax expense		
Current tax	-	11,240
Deferred tax expense		
Origination and reversal of temporary differences	(80,271)	73,341
Total income tax (credit)/expense	(80,271)	84,581

Reconciliation of effective tax rate

	2009	2009	2008	2008
	£	%	£	%
Profit before tax	160,738		327,752	
Tax at the UK standard rate	-	-	93,409	28 50
Indexation of net valuation gains on revaluation	(80,271)	(49 94)	(8,828)	(2 69)
	(80,271)	(49 94)	84,581	25 81

Notes to the Financial Statements

For the year ended 31 December 2009

7 Investment properties

	£
Balance at 1 January 2008	1,683,500
Additions	11,927
Revaluation	299,573
Balance at 31 December 2008	1,995,000
Balance at 1 January 2008	1,995,000
Revaluation	201,918
Balance at 31 December 2009	2,196,918

The carrying amount of investment property is the fair value of the property as determined by a director or 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 £38,887 *(2008 - £64,307),* see Note 10

8 Trade and other receivables

	2009 £	2008 £
Trade receivables	-	12,615
Other receivables	-	426
	-	13,041

9. Trade and other payables

	2009 £	2008 £
Trade payables	90,270	1,865
Accrued expenses	6,402	11,020
	96,672	12,885

10. Provisions

Provision for overage payments on revaluations	2009 £	2008 £
Balance at 1 January	64,307	53,041
Provisions (released)/charged during the year	(25,420)	11,266
Balance at 31 December	38,887	64,307

11. *Deferred tax liabilities*

Recognised deferred tax liabilities	2009	2008
Investment property revaluation	-	80,271
Deferred tax liabilities	-	80,271

Movement in temporary differences during the year

	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*

	Balance 1 Jan 2009 £	Recognised in income £	Balance 31 Dec 2009 £
Investment property revaluation	80,271	(80,271)	-
	80,271	(80,271)	-

Notes to the Financial Statements

For the year ended 31 December 2009

12. Share capital

Share capital	Number of shares	
	2009	***2008***
Shares in issue		
At 1 January and 31 December	100	*100*

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	2009	2008
	£	£
Trade & other receivables	-	13,041

There were no material balances within the trade and other receivable balances at 31 December 2009 or 31 December 2008

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 2009 and 2008 were

Carrying Amount	2009	2008
	£	£
Bank overdraft	1,951	32,179
Trade & other payables	90,270	1,865
Accruals & deferred income	6,402	11,020
	98,623	45,064

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

	2009	2008
	£	£
Variable rate instruments		
Overdraft	3,576	32,179

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 '2009	31 December '2008
	£	£
Effect of 100 bps change	+/- 36	+/- 322

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 2009	Fair Value 2009	Carrying Amount 2008	Fair Value 2008
	£	£	£	£
Trade & other receivables	-	-	13,041	13,041
Bank overdraft	1,951	1,951	32,179	32,179
Trade & other payables	90,270	90,270	1,865	1,865
Accruals and deferred income	6,402	6,402	11,020	11,020

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 2009

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 2009 *(2008 - Nil)*

Transactions with parent company

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 Until 15 December 2009 the Company was a wholly owned subsidary of Clerical Medical Investment Group Limited On 15 December 2009 the company was acquired by Empire LIH Limited, a limited liability company incorporated and domiciled in England At 31 December 2009 the ultimate parent undertaking was MGPA Europe Fund 111, LP 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

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

	2009	2008
	£	£
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 2009 amounted to £14,702,000 *(2008 - £13,129,000)*