

**A & L CF December (2) Ltd (formerly
Sovereign Leasing (Northern) Limited)**

Report and Financial Statements

for the year ended 31 December 2002

Registration number 1562865



A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)
Report and Financial Statements
For the year ended 31 December 2002

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A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)
List of Directors, advisors and other information

DIRECTORS

M.W. Evans
A.B. Swann
R.L. Towers
C.R. Morley (appointed 1 April 2003)

SECRETARY

I. Sinclair-Ford

REGISTERED OFFICE

Sovereign House
298 Deansgate
Manchester
M60 3AL

AUDITOR

Deloitte & Touche LLP
Manchester

BANKERS

Alliance & Leicester Commercial Bank
Bridle Road
Bootle
Merseyside
GIR OAA

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2002.

Principal activities and Business Review

The principal activities during the year continued to be those of lessors and financiers.

New business written in the year was £15,801,164 (2001: £17,564,998). This is represented by finance leases of £11,163,652 (2001: £5,264,028) and operating leases of £4,637,512 (2001: £12,300,970).

The future prospects of the company are considered satisfactory.

Results and dividends

The results for the year are set out in the Profit and Loss Account on page 5.

The Directors do not recommend the payment of a dividend (2001: £nil).

Change of company name

On 8 July 2003 the company changed its name from Sovereign Leasing (Northern) Limited to A & L CF December (2) Limited.

Directors and Directors' interests

The Directors who served during the year were:

M. W. Evans
A. B. Swann
C. S. Taylor (Resigned 2nd September 2002)
R. L. Towers

On 1 April 2003, C.R. Morley was appointed as a Director.

None of the Directors holds any beneficial interests in shares or debentures of the Company. The Directors are also Directors of the parent company and their interests in other group companies are shown in that company's accounts.

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



C.R. Morley
Director
30 September 2003

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)
Statement of Directors' Responsibilities

United Kingdom 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 financial 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)

Independent Auditors' report to the members of A & L CF December (2) Ltd

We have audited the financial statements of A & L CF December (2) Limited (formerly Sovereign Leasing (Northern) Limited) for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes numbered 1 to 13. 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 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 the opinion we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2002 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Manchester

2 October 2003 4

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)
Profit and Loss Account
For the year ended 31 December 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> <u>(Restated)</u> £
Turnover		2,990,852	647,386
Cost of Sales		(1,756,404)	(282,930)
Gross profit	2	<u>1,234,448</u>	<u>364,456</u>
Administrative expenses		(327,723)	(108,925)
Operating Profit		<u>906,725</u>	<u>255,531</u>
Interest payable	3	(1,148,118)	(359,345)
Loss on ordinary activities before taxation	4	<u>(241,393)</u>	<u>(103,814)</u>
Taxation on loss on ordinary activities	5	72,418	31,144
Loss for the financial year	12	<u>(168,975)</u>	<u>(72,670)</u>
Retained profit brought forward		193,208	265,878
Retained profit carried forward		<u><u>24,233</u></u>	<u><u>193,208</u></u>

All of the above results are derived from continuing activities.

All of the gains and losses for the year and the previous year have been recognised in arriving at the loss disclosed above. As a consequence, a Statement of Total Recognised Gains and Losses has not been presented.

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)**Balance Sheet****As at 31 December 2002**

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	6	14,540,136	12,018,040
Current assets			
Debtors	7	3,963,202	1,037,301
Debtors falling due after one year	7	9,765,229	4,064,088
		<u>13,728,431</u>	<u>5,101,389</u>
Creditors: amounts falling due within one year	9	(26,953,412)	(15,817,353)
Net current liabilities		<u>(13,224,981)</u>	<u>(10,715,964)</u>
Total assets less current liabilities		<u>1,315,155</u>	<u>1,302,076</u>
Provisions for liabilities and charges	10	(1,290,822)	(1,108,768)
Net Assets		<u><u>24,333</u></u>	<u><u>193,308</u></u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account		24,233	193,208
Equity shareholders' funds	12	<u><u>24,333</u></u>	<u><u>193,308</u></u>

The financial statements on pages 5 to 12 were approved by the board of directors on 30 September 2003



C.R. Morley
Director

1 Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance and Leasing Association.

b) Cash flow statement

Under Financial Reporting Standard No 1 (revised 1996) "Cash Flow Statements" the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

c) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date

d) Operating lease assets

Depreciation is provided on operating lease assets at rates calculated to write off the cost of the assets, less estimated residual value, over their useful lives using methods which allocate depreciation charges on a systematic basis to the periods which are expected to benefit from their use.

Operating lease assets are regularly reviewed for impairment in accordance with Financial Reporting Standard No 11 "Impairment of Fixed Assets and Goodwill". Where an asset's carrying value has been impaired the amount is charged to the profit and loss account in the year of impairment.

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)

Notes to the financial statements

For the year ended 31 December 2002

- e) In accordance with Statement of Standard Accounting Practice No. 21 the minimum lease payments receivable from finance lease and other finance agreements, less appropriate future income arising from finance charges, are included in debtors.

Assets acquired for the purpose of renting out under operating lease agreements are capitalised and depreciated in accordance with the accounting policy set out above.

Turnover comprises:

Finance and rental agreements: the income component of repayments which are credited to the profit and loss account using methods which produce a constant rate of return on the net cash investment.

Operating lease agreements: accounting rentals recognised on a straight line basis over the period of the lease

Provisions for bad and doubtful debt : a charge equal to the losses written off in the year, recoveries and the movement in provisions.

Cost of sales comprises:

Operating lease agreements: depreciation of operating lease assets.

The presentation of turnover and cost of sales has been re-classified for the 2001 comparatives. The presentation in prior year accounts included turnover and cost of sales within the single heading "Gross earnings from finance and rental agreements". The comparatives have been restated to include turnover and cost of sales gross, as described in this and the above accounting policy as directors deem this treatment to be more appropriate. There has been no effect on the profit for prior year as a result of this change, or on the net assets.

f) Provisions for bad and doubtful debts

Specific provisions are made in respect of finance and rental agreements where recovery is considered doubtful; a general provision is made for losses which, although not specifically identified, are known to be inherent in any portfolio of lending. The provisions are deducted from the net investment in finance agreements. The charge in the profit and loss account comprises write offs, recoveries and the net movement in provisions in the year. The charge has been deducted from turnover.

g) Related Party Transactions

The company has taken advantage of the exemption offered by Financial Reporting Standard No 8 "Related Party Transactions" and is therefore not required to disclose transactions with other group companies.

2 Gross profit

Amounts receivable during the year from which gross profit was derived are as follows:

	<u>2002</u>	<u>2001</u>
	<u>£'000</u>	<u>£'000</u>
Amounts due on:		
Operating Leases	2,232	393
Finance leases	3,327	483
	<u>5,559</u>	<u>876</u>

New business written in the year was £15,801,164 (2001: £17,564,998). This is represented by operating leases of £4,637,512 (2001: £12,300,970) and finance leases of £11,163,652 (2001: £5,264,028)

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)**Notes to the financial statements****For the year ended 31 December 2002****3 Interest payable**

	2002	2001
	£	£
Amounts payable to immediate parent undertaking	<u>1,148,118</u>	<u>359,345</u>

4 Loss on ordinary activities before taxation

	2002	2001
	£	£
Loss before taxation is stated after charging		
Management fees payable to group company	327,723	108,924
Depreciation of operating leases	<u>1,756,404</u>	<u>282,930</u>

The company had no employees during the current or previous year.

The directors received no remuneration for the services to this company in either the current or preceding year. The directors are also directors of the immediate parent company, Alliance & Leicester Commercial Finance plc (formerly Sovereign Finance plc.) The majority of the directors' activities relate to services carried out in relation to Alliance & Leicester Commercial Finance plc and other group companies. Therefore the directors deem it appropriate to not directly allocate any of their costs to the profit and loss account of A & L CF December (2) Limited.

Auditors' remuneration was borne by the immediate parent company, Alliance & Leicester Commercial Finance plc (formerly Sovereign Finance plc), in both the current and preceding years.

5 Taxation on loss on ordinary activities

The tax credit for the year comprises:	2002	2001
	£	£
Current tax		
Current tax for the year including group relief receivable	(254,472)	(1,140,106)
Total current tax credit	<u>(254,472)</u>	<u>(1,140,106)</u>
Deferred taxation (note 10)		
Origination and reversal of timing differences	182,054	1,108,962
Taxation on loss on ordinary activities	<u>(72,418)</u>	<u>(31,144)</u>
Factors affecting tax credit for the year		
Loss on ordinary activities before taxation	<u>(241,393)</u>	<u>(103,814)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30% in both years)	(72,418)	(31,144)
Capital allowances in excess of taxable lease receipts	(182,054)	(1,108,962)
Total current tax credit	<u>(254,472)</u>	<u>(1,140,106)</u>

6 Tangible Fixed Assets

	Operating Lease Assets
	£
Cost	
At 1 January 2002	12,300,970
Additions	4,637,512
Transfer to other group company	(266,152)
Disposals	(437,931)
At 31 December 2002	<u>16,234,399</u>
Depreciation	
At 1 January 2002	282,930
Charge for the year	1,756,404
Transfer to other group company	(49,971)
Eliminated on disposal	(295,100)
At 31 December 2002	<u>1,694,263</u>
Net Book Value	
At 31 December 2002	<u>14,540,136</u>
At 31 December 2001	<u>12,018,040</u>

Included in the carrying value of operating lease assets are residual values at the end of the current lease terms, which will be recovered through re-letting or sale in the following periods:

	£
Within 1 year	445,667
Between 1-2 years	312,204
Between 2-5 years	2,267,579
Greater than 5 years	843,529
Total	<u>3,868,979</u>

7 Debtors	2002	2001
	£	£
Falling due within one year		
Net investment in finance agreements (note 8)	<u>3,963,202</u>	<u>1,037,301</u>
Falling due after more than one year		
Net investment in finance agreements (note 8)	<u>9,765,229</u>	<u>4,064,088</u>

A & L CF December (2) Ltd (formerly Sovereign Leasing (Northern) Limited)

Notes to the financial statements

For the year ended 31 December 2002

8 Finance Agreements	2002	2001
	£	£
<i>Net investment in finance agreements</i>		
Due within one year	3,963,202	1,037,301
Due after more than one year	9,765,229	4,064,088
	<u>13,728,431</u>	<u>5,101,389</u>

Included within net investment in finance agreements are residual values which will be recovered through re-letting or sale in the following periods:

	£
Within 1 year	52,600
Between 1-2 years	46,214
Between 2-5 years	260,770
Greater than 5 years	584,319
Total	<u>943,903</u>

9 Creditors: amounts falling due within one year	2002	2001
	£	£
Trade Creditors	484,296	-
Amounts owed to group undertakings	24,998,354	15,027,326
Accruals and deferred income	1,470,762	790,027
	<u>26,953,412</u>	<u>15,817,353</u>

10 Provisions for Liabilities and Charges	2002	2001
	£	£
Deferred taxation:		
At 1 January 2002	1,108,768	(194)
Charge to the profit and loss account - current year (note 5)	182,054	1,108,962
Deferred tax liability at 31 December 2002	<u>1,290,822</u>	<u>1,108,768</u>

Provision for deferred taxation consists of the following amounts:

	Provided	Provided
	2002	2001
	£	£
Capital allowances in advance of depreciation	1,290,822	1,111,768
Other timing differences	-	(3,000)
	<u>1,290,822</u>	<u>1,108,768</u>

Prior to the implementation of Financial Reporting Standard 19 "Deferred tax", the deferred taxation policy of the company was consistent with the principles now adopted in this standard. Consequently no adjustment of the comparative figures is required on implementation of FRS 19.

Notes to the financial statements

For the year ended 31 December 2002

11	<u>Share capital</u>	<u>2002</u>	<u>2001</u>
		<u>£</u>	<u>£</u>
	Authorised:		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid:		
	100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
12	<u>Reconciliation of movements in shareholders' funds</u>	<u>2002</u>	<u>2001</u>
		<u>£</u>	<u>£</u>
	Loss for the financial year	(168,975)	(72,670)
	Opening shareholders' funds	193,308	265,978
	Closing shareholders' funds	<u>24,333</u>	<u>193,308</u>

13 **Parent Undertakings**

The immediate parent company Alliance & Leicester Commercial Finance plc (formerly Sovereign Finance plc) is a subsidiary of Alliance & Leicester plc which is the ultimate parent undertaking incorporated in Great Britain.

The largest Group in which the results of the company are consolidated is that headed by Alliance & Leicester plc. The consolidated accounts of this group are available to the public and may be obtained from Carlton Park, Narborough, Leicester LE19 0AL.

The smallest Group in which they are consolidated is that headed by Alliance & Leicester Commercial Finance plc, incorporated in Great Britain. The consolidated accounts of this Group are available to the public and may be obtained from Sovereign House, 298 Deansgate, Manchester, M60 3AL.