

**ALLIANCE & LEICESTER MORTGAGE LOANS LIMITED**

**COMPANY NO: 2304067**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2002**

COMPANY NO : 2304067  
R&A 2002



# **ALLIANCE & LEICESTER MORTGAGE LOANS LIMITED**

## **DIRECTORS' REPORT - 2002**

The Directors present their report, together with the audited accounts for the year ended 31 December 2002.

### **Principal Activities**

The principal activity of the Company is the acquisition and administration of established mortgage books.

### **Business Review and Discontinued Operations**

During the period, the loans and advances to customers balances were transferred to the parent company at book value. As noted below, a dividend equal to reserves is proposed by the Directors.

No new business activities are envisaged.

### **Results and Dividend**

The trading results for the year are set out in the Profit and Loss Account on page 6.

The profit for the financial year is £77,721. (2001: profit £107,783).

The Directors propose a dividend of £929,868 for the year (2001: £nil).

### **Directors**

The Directors of the Company during the year under review were:

Mr R L Banks

Mr S J Pearce

### **Directors' Interests**

None of the Directors hold any beneficial interests in shares or debentures of the Company. The beneficial interests of the Directors in ordinary shares of the ultimate parent undertaking can be found in the group report and accounts for Alliance & Leicester plc, with the exception of the Director shown below who was a Director of the Company only:

Directors	Fully Paid Shares of 50p each	
	At 1 <sup>st</sup> January 2002	At 31 <sup>st</sup> December 2002
S J Pearce	1,839	2,177

DIRECTORS' REPORT (cont'd)

Options to Acquire Shares

In addition, the Directors have options to subscribe for such shares of Alliance & Leicester plc granted under the terms of Alliance & Leicester Share Option Schemes. Details of the share options are shown below with the exception of R L Banks whose share option details can be found in the group report and accounts for Alliance & Leicester plc.

	Number of Options				Exercise Price	Market price at date of exercise	Exercise period
		During the Year					
Directors	At 01.01.02	Granted	Exercised	At 31.12.02			
S J Pearce	5,628			5,628	£5.33 #		23/4/00-23/4/07
	704			704	£5.33 ~		23/4/00-23/4/04
	4,049			4,049	£4.26 §		1/8/02-1/2/03
	2,165			2,165	£9.00½ ~		6/3/01-6/3/05
	1,560			1,560	£7.85 ~		4/3/02-4/3/06
	3,210			3,210	£5.10 ~		17/2/03-17/2/07
	5,743			5,743	£6.70 ~		23/2/04-23/2/08
	4,864			4,864	£8.05½ ~		23/7/04-23/7/11
		2,117		2,117	£8.37 ~		12/3/05-12/3/12
		6,966		6,966	£7.95 ~		6/8/05-6/8/12

§ Options granted under the Alliance & Leicester Sharesave Scheme

# Options granted under the Alliance & Leicester Approved Company Share Option Scheme

~ Options granted under the Alliance & Leicester Unapproved Company Share Option Scheme

Bonus Awards

The following table shows the Directors' interests in deferred share options awarded under the deferred bonus scheme:

Director	Bonus Year	Shares	Value of award £	Market Value at date of grant £	No. of shares under Option	Exercise Price £	Exercise Period
R L Banks	See group report and accounts for Alliance & Leicester plc.						
S J Pearce	2001	Deferred	2,517	6.785	371+	Nil	15/3/04-15/3/08
	2001	Matching	2,517	6.785	371+	Nil	15/3/04-15/3/08
	2002	Deferred	3,892	8.37	465+	Nil	12/3/05-12/3/09
	2002	Matching	3,892	8.37	465+	Nil	12/3/05-12/3/09

+ Neither the matching shares or deferred shares option granted are subject to a performance objective.

DIRECTORS' REPORT (cont'd)

**Corporate Governance**

The Company's policies on Corporate Governance are consistent with those established at group level and referred to in the group report and accounts for 2002 of Alliance & Leicester plc.

**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.

APPROVED by the Directors on 9<sup>th</sup> September 2003  
and signed on their behalf by



.....  
R A Hawker for and on behalf of Alliance Limited  
Company Secretary

Registered Office: Building 3 Floor 2, Carlton Park, Narborough, Leicester, LE19 0AL

**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 period. In preparing those financial statements, the Directors are required to:

- select appropriate 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 accounts; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue to be in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for the Company's systems of internal financial control, 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.



S J Pearce  
Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**ALLIANCE & LEICESTER MORTGAGE LOANS LIMITED**

We have audited the financial statements of Alliance & Leicester Mortgage Loans Ltd for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 for the opinions 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 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 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 the Company's affairs as at 31 December 2002 and of its profit 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 and  
Registered Auditors

Birmingham  
*22 September 2003*

COMPANY NO : 2304067  
R&A 2002

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2002**

	<u>Notes</u>	<u>Discontinued Operations</u>	
		<u>2002</u>	<u>2001</u>
		<u>£</u>	<u>£</u>
Interest receivable on loans and advances to customers	1, 2	514,613	1,023,569
Interest payable on parent company loan		<u>(399,127)</u>	<u>(829,460)</u>
Net interest receivable		115,486	194,109
Other operating income		<u>-</u>	<u>-</u>
Operating income		115,486	194,109
Administrative expenses		<u>(30,997)</u>	<u>(45,756)</u>
Provision for bad and doubtful debts	6	<u>21,995</u>	<u>8,217</u>
Operating profit on ordinary activities before taxation	5	106,484	156,570
Tax on profit on ordinary activities	7	<u>(28,763)</u>	<u>(48,787)</u>
Profit for the financial year		77,721	107,783
Dividend	8	<u>(929,868)</u>	<u>-</u>
Retained (loss)/profit for the financial year	13,14	<u><u>(852,147)</u></u>	<u><u>107,783</u></u>

In the current year the Company disposed of all loans and advances to customers by means of a transfer at book value to the parent company. All operations have been discontinued in the period. In both the current and preceding year the Company had no material acquisitions.

Movements in profit and loss account reserves are shown in note 14.

In both the current and preceding year the Company had no recognised gains or losses other than the profit for the period.

The attached notes 1 - 15 form part of these accounts.

Alliance & Leicester Mortgage Loans Limited

**BALANCE SHEET**  
**at 31 December 2002**

	Notes	2002 £	2001 £
<b>Current Assets:</b>			
Debtors falling due within one year	9	944,968	7,806
Debtors falling due after more than one year	9	-	13,224,506
		944,968	13,232,312
<b>Creditors:</b>			
Amounts falling due within one year	10	(944,868)	(12,380,065)
<b>Net Current Assets</b>		100	852,247
<b>Net Assets</b>		100	852,247
<b>Capital &amp; Reserves:</b>			
Called up share capital	12	100	100
Profit & Loss Account	13	-	852,147
<b>Equity Shareholders' Funds</b>		100	852,247

The movement in shareholder's funds is disclosed in note 14.

The attached notes 1 - 15 form part of these accounts.

The accounts were approved by the Board of Directors on 9<sup>th</sup> September 2003 and were signed on its behalf by:



S J Pearce  
Director



NOTES TO THE ACCOUNTS

1. **Principal Accounting Policies**

Accounting Convention

The Company prepares its accounts under the historical cost convention, and in accordance with applicable UK accounting standards.

Cashflow

As a wholly owned subsidiary of Alliance & Leicester plc, the Company is exempt under FRS1 (Revised) from producing a cash flow statement.

Deferred Taxation

Deferred tax is provided using the full provision method following the Company's adoption of FRS 19 'Deferred Tax'. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is calculated at rates expected to be applicable when the liability or asset crystallises. Deferred tax is provided on a non-discounted basis. The impact on the profit and loss account of adopting FRS 19 has been £nil for both the current and prior years.

Interest Receivable on Loans and Advances to Customers

Interest is receivable on mortgage balances advanced to customers in the UK and is accounted for on an accruals basis.

Provisions for Bad and Doubtful Debts

Specific provisions are made in respect of loans and advances where recovery is considered doubtful. Where the collection of interest is in significant doubt, it is credited to a suspense account. The provisions are deducted from loans and advances, along with the interest on non-performing loans held in suspense. The credit in the profit and loss account represents net releases from the provision.

Segmental Information

The Company has considered the requirements of SSAP 25 and concluded that only one principal business activity was undertaken, in the UK. Consequently no segmental analysis has been provided.

2. **Interest receivable on loans and advances to customers**

Interest receivable arises entirely from UK operations.

NOTES TO THE ACCOUNTS (cont'd)

3. **Staff Numbers and Costs**

The average number of persons employed by the Company during the year was nil (2001: nil).

4. **Remuneration of Directors**

No emoluments were payable by the Company to the Directors, who were employees of, and paid by, Alliance & Leicester plc during the year (2001: £nil). The remuneration paid to the Directors as employees of Alliance & Leicester was taken into account in assessing a general corporate charge that was made to the Company. Details of the deferred bonus scheme can be found in the Directors' Report.

5. **Operating Profit**

Operating profit has been arrived at after charging

	<u>2002</u>	<u>2001</u>
	£	£
Auditors remuneration for audit services	3,997	3,701

6. **Provision for Bad and Doubtful Debts**

The movement on the specific provision for bad and doubtful debts relates to loans and advances to customers.

<u>Specific Provision For Bad and Doubtful Debts</u>	£
At 1 January 2002	(21,995)
Release for year	21,995
Amounts written off in year	-
At 31 December 2002	-

7. **Tax on Profit on Ordinary Activities**

(a) Analysis of charge in year

	<u>2002</u>	<u>2001</u>
	£	£
UK corporation tax on profits for the year	31,945	48,787
Adjustment to UK corporation tax on profits for prior years	(3,182)	-
Tax on profit on ordinary activities	<u>28,763</u>	<u>48,787</u>

There are no deferred tax movements in either the current or prior year.

Alliance & Leicester Mortgage Loans Limited

NOTES TO THE ACCOUNTS (cont'd)

7. **Tax on Profit on Ordinary Activities (cont'd)**

(b) Factors affecting tax charge for year

The tax charge for the year is lower (2001: higher) than the standard rate of corporation tax in the UK (30%), where the Company generates its profits. The differences are explained below:

	<u>2002</u>	<u>2001</u>
	%	%
Standard rate of tax	30.0	30.0
Factors affecting charge:		
Adjustment to tax charge in respect of previous periods	(3.0)	-
2001 expense not relieved in 2001 tax charge	<u>-</u>	<u>1.2</u>
Current rate of tax for year	<u>27.0</u>	<u>31.2</u>

8. **Dividend**

	<u>2002</u>	<u>2001</u>
	£	£
Proposed (£9,299 (2001: £nil) per ordinary share)	<u>929,868</u>	<u>-</u>

9. **Debtors**

	<u>2002</u>	<u>2001</u>
	£	£
Amounts falling due within one year:		
Loans and advances to banks	<u>944,968</u>	<u>7,806</u>

Loans and advances to banks are repayable on demand and are amounts due from group undertakings.

	<u>2002</u>	<u>2001</u>
	£	£
Amounts falling due after more than one year:		
Loans and advances to customers	-	13,246,501
Specific bad and doubtful debt provision	<u>-</u>	<u>(21,995)</u>
	<u>-</u>	<u>13,224,506</u>

Loans and advances to customers represent mortgage balances advanced.

NOTES TO THE ACCOUNTS (cont'd)

10. **Creditors**

	<u>2002</u>	<u>2001</u>
	£	£
Amounts falling due within one year:		
Corporation tax	15,000	33,393
Amounts owed to group undertakings	<u>929,868</u>	<u>12,346,672</u>
	<u>944,868</u>	<u>12,380,065</u>

11. **Capital Commitments**

Capital commitments at 31.12.02 were £nil (2001: £nil).

12. **Share Capital**

	<u>2002</u>	<u>2001</u>
	£	£
Authorised share capital allotted, issued and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. **Reserves**

	<b>Profit and Loss Account</b>	
	<u>2002</u>	<u>2001</u>
	£	£
Reserves brought forward at 1 January	852,147	744,364
Retained (loss)/profit for the year	<u>(852,147)</u>	<u>107,783</u>
At 31 December	<u>-</u>	<u>852,147</u>

NOTES TO THE ACCOUNTS (cont'd)

14. Reconciliation of movements in Shareholder's Funds

	<u>2002</u>	<u>2001</u>
	£	£
Profit for the financial year	77,721	107,783
Dividends	<u>(929,868)</u>	<u>-</u>
Net movement in shareholder's funds	(852,147)	107,783
Shareholder's funds at 1 January	<u>852,247</u>	<u>744,464</u>
Shareholder's funds at 31 December	<u><u>100</u></u>	<u><u>852,247</u></u>

15. Ultimate Parent Undertaking

The Company is a subsidiary undertaking of Alliance & Leicester plc, which is the ultimate parent undertaking and controlling entity and is incorporated in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is the Alliance & Leicester group; these accounts may be obtained from the company's registered office at Carlton Park, Narborough, Leicester LE19 0AL.

As permitted by paragraph 3(c) of FRS 8, no disclosure is made of transactions with members of the Alliance & Leicester group.