

**ALLIANCE & LEICESTER COMMERCIAL FINANCE  
(HOLDINGS) PLC**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2006**

THURSDAY



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COMPANIES HOUSE

**Company Registration Number 2504239**

**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

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# **ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **THE BOARD OF DIRECTORS**

M W Evans  
R L Towers  
C R Morley  
C S Jones  
R L Banks  
B P Glover

### **COMPANY SECRETARY**

R A Hawker

### **REGISTERED OFFICE**

Building 3 Floor 2  
Carlton Park  
Narborough  
Leicester  
LE19 0AL

### **AUDITOR**

Deloitte & Touche LLP  
Chartered Accountants  
& Registered Auditors  
Manchester

### **BANK**

Alliance & Leicester plc  
Bridle Road  
Bootle  
Merseyside  
GIR 0AA

# **ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2006**

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 December 2006

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company is a wholly owned subsidiary of Alliance & Leicester plc and operates as part of the group's Commercial Bank Division

The company's principal activities continued to be that of holding company of Alliance and Leicester Commercial Finance plc and its subsidiaries. The principal activity of the group is that of lessors and financiers

As shown in the company's profit and loss account on page 8 the company's operating profit remained nil in the year as was the case in the prior year

The balance sheet on page 9 shows that the net assets for the company decreased during the year. Details of amounts owed to the company's immediate parent undertaking at 31 December 2006 are shown in note 9 to the financial statements

Alliance & Leicester plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Commercial Bank division of Alliance & Leicester plc, which includes the company, is discussed in the group's Annual Report which does not form part of this Report

#### **Principal risks and uncertainties**

The company manages its risk in line with the Group's risk management policy and control framework which is disclosed in the group's Annual Report

The financial risks of the company are managed by the Group Treasury function of the ultimate parent company, Alliance & Leicester plc

The company is mainly financed by loans from its immediate parent undertaking and the level of the third party debt is not considered to be material

There were no residual values of finance agreements included in the net investment in finance agreements

#### **Environment**

The Alliance & Leicester plc group recognises that it has a responsibility to act in a way that respects the environment. The company operates in accordance with group policies which are described in the group's Annual Report which does not form part of this report

# **ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**

## **THE DIRECTORS' REPORT *(continued)***

### **YEAR ENDED 31 DECEMBER 2006**

#### **Employees**

As disclosed in note 3 to the financial statements the company had no employees in either the current year or the prior year. Services to the company are carried out by employees of the immediate parent undertaking, Alliance & Leicester Commercial Finance plc. Responsibility for all employee related matters rests with the Alliance & Leicester plc Director of Group Human Resources. Group responsibilities on employee related matters are disclosed in the Alliance & Leicester Annual Report - Corporate Social Responsibility Report.

#### **RESULTS AND DIVIDENDS**

The profit for the year amounted to £40,151,000. Particulars of dividends paid are detailed in note 7 to the financial statements.

#### **DIRECTORS**

The directors who served the company throughout the year were as follows:

M W Evans	
A B Swann	(Resigned 5 April 2007)
R L Towers	
C R Morley	
R L Banks	
B P Glover	
C S Jones	(Appointed 20 March 2006)

Each of the persons who is a director at the approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given in accordance with the provisions of s234ZA of the Companies Act 1985.

# **ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**

## **THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2006**

### **POLICY ON THE PAYMENT OF CREDITORS**

The Alliance & Leicester plc Group is a signatory of the DTI's Better Payment Practice Code. Information regarding this code and its purpose can be obtained from the Better Payment Practice Group's website at [www.payontime.co.uk](http://www.payontime.co.uk)

It is Group policy to

- i) agree the terms of payment at the start of business with each supplier
- ii) ensure suppliers are aware of the payment terms
- iii) pay in accordance with any contractual and other legal obligations

As at the year end the Company, Alliance & Leicester Commercial Finance (Holdings) plc, has no trade creditors

### **DISCLOSURE OF INDEMNITIES**

The directors confirm that under S 309A of the Companies Act -

a) at the time this Directors' Report is signed a qualifying third party indemnity provision (provided by the ultimate parent company Alliance & Leicester plc) is in force for the benefit of all the directors of the company and,

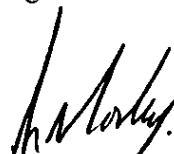
b) for the financial year ended 31 December 2006 a qualifying third party indemnity provision (provided by the ultimate parent company Alliance & Leicester plc) was in force for the benefit of all the directors of the company

The directors confirm that under S310 of the Companies Act there is no qualifying third party indemnity provision for one or more directors of an associated company either on the date the Directors' Report is signed or in the last financial year

### **AUDITORS**

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

Signed on behalf of the directors



C R Moxley  
Director

Approved by the directors on 25 July 2007

# **ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **YEAR ENDED 31 DECEMBER 2006**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period and comply with United Kingdom GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- select suitable accounting policies, as described on pages 10 to 11, and then apply them consistently,

- make judgements and estimates that are reasonable and prudent, and

- 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 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. The directors are also responsible for establishing and maintaining systems of internal control, for the safeguarding of the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**

We have audited the financial statements of Alliance & Leicester Commercial Finance (Holdings) plc for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. 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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 other information contained in the annual report for the above year as described in the contents section and 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 International Standards on Auditing (United Kingdom 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC** *(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2006 and of the 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

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants & Registered Auditors  
Manchester

*26 July 2007*

**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £000	2005 (restated) £000
<b>Turnover</b>		—	—
Administrative expenses		—	—
<b>Operating profit</b>		—	—
Income from shares in group undertakings	4	30,000	—
Income from investments	5	10,151	17,523
<b>Profit on ordinary activities before taxation</b>		40,151	17,523
Tax on profit on ordinary activities	6	—	—
<b>Profit for the financial year</b>	13	40,151	17,523
Balance brought forward		27,809	26,035
Equity dividends paid		(46,650)	(15,749)
Balance carried forward		21,310	27,809

All of the activities of the company are classed as continuing

**Statement of total recognised gains and losses**

There are no recognised gains or losses other than the profit of £40,151,000 attributable to the shareholders for the year ended 31 December 2006 (year to 31 December 2005 (restated) - profit of £17,523,000)

The notes on pages 10 to 16 form part of these financial statements

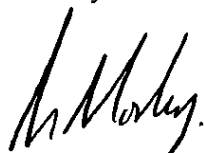
# ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC

## BALANCE SHEET

31 DECEMBER 2006

	Note	2006 £000	2005 (restated) £000
<b>Fixed assets</b>			
Investments	8	145,120	134,969
<b>Creditors: Amounts falling due within one year</b>	9	<u>105,616</u>	<u>88,966</u>
<b>Total assets less current liabilities</b>		<u>39,504</u>	<u>46,003</u>
<b>Capital and reserves</b>			
Called-up equity share capital	12	18,194	18,194
Profit and loss account		21,310	27,809
<b>Equity shareholders' funds</b>	13	<u>39,504</u>	<u>46,003</u>

These financial statements were approved by the directors on the 25 July 2007 and are signed on their behalf by



C R Morley  
Director

The notes on pages 10 to 16 form part of these financial statements

**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**1. Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention

The principle accounting policies are summarised below. They have been applied consistently throughout the current and preceding year with the exception of the changes in policy in relation to dividend payments following the adoption of FRS 21 "Events after the balance sheet date".

**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.

**Related parties transactions**

The company has taken advantage of the exemption offered by Financial Reporting Standard 8 "Related party disclosures" and is therefore not required to disclose transactions with other group companies.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and the laws that have been enacted or substantively enacted by the balance sheet date.

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.

**Fixed asset investments**

Fixed assets investments are held at cost less any provision for impairment.

# ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2006

#### 1. Accounting policies *(continued)*

##### Consolidation

The company was, at the end of the year, a wholly owned subsidiary of another company incorporated in the EU and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

#### 2. Changes in accounting policy

The 2005 comparative figures have been restated to reflect the adoption of FRS 21 "Events after the balance sheet date". FRS 21 requires that dividends are not accrued until they are approved. The final dividend in a year is approved by shareholders in the following year's Annual General Meeting.

The impact of the adoption of FRS 21 in the 2005 accounts is to increase the opening equity shareholders' funds by £7,800,000 and to increase the amount owed to group undertakings by £7,800,000.

#### 3. Particulars of employees

The company had no employees in either the current year or the preceding year.

The directors received no remuneration for their services to this company in either the current year or the preceding year.

Mr Banks is a director of the ultimate parent company, Alliance & Leicester plc and his remuneration is borne by that company. The majority of Mr Banks' activities relate to services carried out in relation to Alliance & Leicester plc and other group companies. Therefore the directors deem it appropriate not to directly allocate any of his costs to the profit and loss account of Alliance & Leicester Commercial Finance (Holdings) plc.

Mr Glover is director of Alliance & Leicester Commercial Bank plc, Mr Swann was a director of Alliance & Leicester Commercial Bank plc at the balance sheet date and Mr Evans, Mr Jones, Mr Morley and Mr Towers are directors of Alliance & Leicester Commercial Finance plc and their remuneration is borne by those respective companies. The majority of their activities relate to services carried out in relation to these and other group companies. Therefore the directors deem it appropriate not to directly allocate any of their costs to the profit and loss account of Alliance & Leicester Commercial Finance (Holdings) plc.

**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**4 Income from shares in group undertakings**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Dividends Received	<b><u>30,000</u></b>	<b><u>—</u></b>

**5. Income from investments**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Write back amount previously written off investments	<b><u>(10,151)</u></b>	<b><u>(17,523)</u></b>

**6 Taxation on ordinary activities**

**Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation	<b><u>40,151</u></b>	<b><u>17,523</u></b>
Profit/(loss) on ordinary activities by rate of tax	<b>12,045</b>	<b>5,257</b>
Non taxable provision release	<b>(3,045)</b>	<b>(5,257)</b>
Non taxable dividend income	<b><u>(9,000)</u></b>	<b><u>—</u></b>
Total current tax	<b><u>—</u></b>	<b><u>—</u></b>

**7. Dividends**

**Dividends on equity shares**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>Paid during the year</b>		
Dividends on ordinary shares - £2 56 per ordinary share (2005 £0 87)	<b><u>46,650</u></b>	<b><u>15,749</u></b>

**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**8. Investments**

**Shares in subsidiary undertakings**

**£000**

**Cost**

At 1 January 2006 and 31 December 2006

**145,120**

**Amounts written off**

At 1 January 2006

**10,151**

Written off in prior years written back

**(10,151)**

At 31 December 2006

**-**

**Net book value**

At 31 December 2006

**145,120**

At 31 December 2005

**134,969**

# ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2006

#### 8. Investments (continued)

The company's only subsidiary undertaking at 31 December 2006 is Alliance & Leicester Commercial Finance plc, a lessor and financier, which is wholly owned and registered in England and Wales. It has a financial year end of 31 December and its share capital consists entirely of 10p ordinary shares.

The subsidiaries of Alliance & Leicester Commercial Finance plc which are registered in England and Wales are listed below. All of these subsidiaries are 100% owned.

Name	Trade	Year End
A & L CF March (1) Limited (formerly A & L CF March (2) Limited)	Lessors	31 March
A & L CF March (3) Limited	Lessors	31 March
A & L CF March (4) Limited	Lessors	29 March
A & L CF March (5) Limited	Lessors	31 March
A & L CF March (6) Limited	Lessors	31 March
A & L CF March (7) Limited	Lessors	31 March
A & L CF March (8) Limited	Lessors	31 March
A & L CF March (9) Limited	Lessors	31 March
A & L CF June (1) Limited	Lessors	30 June
A & L CF June (2) Limited	Lessors	30 June
A & L CF June (3) Limited	Lessors	30 June
A & L CF June (5) Limited	Lessors	30 June
A & L CF June (6) Limited	Lessors	30 June
A & L CF June (7) Limited	Lessors	30 June
A & L CF June (8) Limited	Lessors	30 June
A & L CF September (1) Limited	Lessors	30 September
A & L CF September (2) Limited	Lessors	30 September
A & L CF September (3) Limited	Lessors	30 September
A & L CF September (4) Limited	Lessors	30 September
A & L CF September (5) Limited	Lessors	30 September
A & L CF September (6) Limited	Lessors	30 September
A & L CF December (1) Limited	Lessors	31 December
A & L CF December (2) Limited	Lessors	31 December
A & L CF December (3) Limited	Lessors	31 December
A & L CF December (9) Limited	Lessors	31 December
Sovereign Freeze Limited(*)	Lessors	31 December
Sovereign Gini Limited(*)	Lessors	31 December
Sovereign Hilli Limited(*)	Lessors	31 December
Sovereign Khannur Limited(*)	Lessors	31 December
Sovereign Spirit Limited(*)	Lessors	31 December
A & L CF Jersey Limited(**)	Lessors	31 December

\* Incorporated in Bermuda and registered in England and Wales as an overseas branch

\*\* Incorporated in Jersey and registered in England and Wales as an overseas branch

As permitted under section 231 of the Companies Act 1985, details of the company's dormant subsidiaries are not given.



**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**9. Creditors: Amounts falling due within one year**

	2006	2005 (restated)
	£000	£000
Amounts owed to group undertakings	<u>105,616</u>	<u>88,966</u>

The amounts owed to group undertakings are non-interest bearing and have no fixed date of repayment

**10. Deferred taxation**

The company has no deferred tax asset or liability in the year (2005 £Nil)

**11. Related party transactions**

The company has taken advantage of the exemption offered by Financial Reporting Standard 8 "Related party disclosures" and is therefore not required to disclose transactions with other group companies

**12. Share capital**

**Authorised share capital:**

	2006	2005
	£000	£000
18,194,000 Ordinary shares of £1 each	<u>18,194</u>	<u>18,194</u>

**Allotted, called up and fully paid:**

	No	2006 £000	No	2005 £000
Ordinary shares of £1 each	<u>18,194,000</u>	<u>18,194</u>	<u>18,194,000</u>	<u>18,194</u>
<b>Equity shares</b>				
Ordinary shares of £1 each	<u>18,194,000</u>	<u>18,194</u>	<u>18,194,000</u>	<u>18,194</u>

**ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006**

**13. Reconciliation of movements in equity shareholders' funds**

	2006	2005 (restated)
	£000	£000
Profit for the financial year	40,151	17,523
Equity dividends paid	(46,650)	(15,749)
Net (reduction)/addition to shareholders' funds	(6,499)	1,774
Opening equity shareholders' funds	46,003	44,229
Closing equity shareholders' funds	<u>39,504</u>	<u>46,003</u>

**14. Ultimate parent company**

The parent undertaking is Alliance & Leicester plc incorporated in England and Wales

The largest and smallest 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