

ALLIANCE & LEICESTER COMMERCIAL FINANCE (HOLDINGS) PLC

FINANCIAL STATEMENTS

31 DECEMBER 2004



Registration Number: 2504239

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Officers and professional advisers

The Board of Directors

R.L. Banks
M.W. Evans
B.P. Glover
C.R. Morley
A.B. Swann
R.L. Towers

Company Secretary

I.A. Sinclair-Ford

Registered Office

Carlton Park
Narborough
Leicester
LE19 0AL

Auditors

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Manchester

Bank

Alliance & Leicester Commercial Bank plc
Bridle Road
Bootle
Merseyside
GIR 0AA

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

Principal Activities

The principal activity of the Company during the year continued to be that of the holding company of Alliance & Leicester Commercial Finance plc and its subsidiaries. The principal activity of the Group is that of lessors and financiers.

Review of Developments and Future Prospects

No significant changes to the Company's activities are envisaged.

Results and Dividend

The profit on ordinary activities after taxation for the year amounted to £15,749,000 (2003: £13,995,000).

A final dividend of £15,749,000 has been proposed (2003: £13,789,000).

A retained profit of £nil (2003: £206,000) was transferred to reserves.

Directors

The directors who served throughout the year were as follows:

R.L. Banks
M.W. Evans
B.P. Glover
C.R. Morley
A.B. Swann
R.L. Towers

None of the Directors holds any beneficial interests in shares or debentures of the Company. The beneficial interests of the Directors in Ordinary shares of the ultimate parent undertaking, Alliance & Leicester plc, were:-

Fully Paid Shares of 50p each		
Directors	At 1 January 2004	At 31 December 2004
R. L. Banks	See Alliance & Leicester plc accounts	
M. W. Evans	1,335	1,129
B.P. Glover	See Alliance & Leicester Commercial Bank plc accounts	
C.R. Morley	-	72
A. B. Swann	See Alliance & Leicester Commercial Bank plc accounts	
R. L. Towers	4,123	3,695

Directors' Report *(continued)*

Rights to acquire shares

In addition, the Directors have options to subscribe for such shares granted under the terms of Alliance & Leicester plc Share Option Schemes: -

Directors	Number of Options				Exercise Price	Market price at date of exercise	Exercise period
During the Year							
At 01.01.2004 Granted Exercised At 31.12.2004							
R. L. Banks							

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

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

§ Options granted under the Alliance & Leicester plc Sharesave Scheme

Directors' Report (continued)

Bonus award

The directors' interests in 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 Alliance & Leicester Plc accounts				
M. W. Evans	2001	Deferred Shares	2,497	6.785	368	8.72 *	15.03.04-15.03.08
	2001	Matching Shares	2,497	6.785	368	8.72 *	15.03.04-15.03.08
	2002	Deferred Shares	7,123	8.37	851	Nil	12.03.05-12.03.09
	2002	Matching Shares	7,123	8.37	851	Nil	12.03.05-12.03.09
	2003	Deferred Shares	8,126	7.545	1,077	Nil	26.02.06-26.02.10
	2003	Matching Shares	8,126	7.545	1,077	Nil	26.02.06-26.02.10
	2004	Deferred Shares	15,050	8.60	1,750	Nil	03.03.07-03.03.11
	2004	Matching Shares	15,050	8.60	1,750	Nil	03.03.07-03.03.11
B.P. Glover			See Alliance & Leicester Commercial Bank plc accounts				
C.R. Morley	2004	Deferred Shares	5,925	8.60	689	Nil	03.03.07-03.03.11
	2004	Matching Shares	5,925	8.60	689	Nil	03.03.07-03.03.11
A.B. Swann			See Alliance & Leicester Commercial Bank plc accounts				
R. L. Towers	2001	Deferred Shares	3,549	6.785	523	Nil	15.03.04-15.03.08
	2001	Matching Shares	3,549	6.785	523	Nil	15.03.04-15.03.08
	2002	Deferred Shares	8,805	8.37	1,052	Nil	12.03.05-12.03.09
	2002	Matching Shares	8,805	8.37	1,052	Nil	12.03.05-12.03.09
	2003	Deferred Shares	10,057	7.545	1,333	Nil	26.02.06-26.02.10
	2003	Matching Shares	10,057	7.545	1,333	Nil	26.02.06-26.02.10
	2004	Deferred Shares	14,156	8.60	1,646	Nil	03.03.07-03.03.11
	2004	Matching Shares	14,156	8.60	1,646	Nil	03.03.07-03.03.11

Neither the matching shares nor deferred share option granted are subject to a performance objective.

* M W Evans exercised his 2001 Matching and Deferred bonus options on 24 August 2004.

Creditors' Payment Policy

The Alliance & Leicester plc Group is a signatory of the DTT'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.

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.

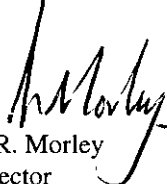
As at the year end the Company, Alliance & Leicester Commercial Finance (Holdings) plc, has no trade creditors.

Directors' Report *(continued)*

Auditors

A resolution to re-appoint Deloitte & Touche LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors


C. R. Morley
Director
27 July 2005

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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company or group will continue to be 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 establishing and maintaining systems of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and any 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) for the year ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 11. 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 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 the company's affairs as at 31 December 2004 and of its result 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
Manchester

28 July 2005

Profit and loss account
For the year ended 31 December 2004

	<u>Notes</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Other income	2	15,749	13,995
		—	—
Operating profit and profit on ordinary activities before tax	2	15,749	13,995
Tax on profit on ordinary activities	4	-	-
		—	—
Profit for the financial year		15,749	13,995
Dividends	5	(15,749)	(13,789)
		—	—
Retained profit for the financial year		-	206
Balance brought forward		<u>10,285</u>	<u>10,079</u>
Balance carried forward		<u>10,285</u>	<u>10,285</u>

All of the above results are derived from continuing activities in the year.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £15,749,000 attributable to the shareholders for the year ended 31 December 2004 (year ended 31 December 2003: profit of £13,995,000).

Balance Sheet
31 December 2004

	<u>Notes</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<i>Fixed assets</i>			
Investments	6	117,446	101,697
		<hr/>	<hr/>
<i>Current assets</i>			
Creditors: amounts falling due within one year	7	(88,967)	(73,218)
		<hr/>	<hr/>
<i>Net current liabilities</i>		(88,967)	(73,218)
		<hr/>	<hr/>
<i>Total assets less current liabilities</i>		28,479	28,479
		<hr/>	<hr/>
<i>Net assets</i>		<u>28,479</u>	<u>28,479</u>
		<hr/>	<hr/>
<i>Capital and reserves</i>			
Called up equity share capital	9	18,194	18,194
Profit and loss account		10,285	10,285
		<hr/>	<hr/>
<i>Equity shareholders' funds</i>	10	<u>28,479</u>	<u>28,479</u>
		<hr/>	<hr/>

These financial statements were approved by the directors on the 27 July 2005 and are signed on their behalf by:



C. R. Morley
Director



M. W. Evans
Director

The notes on pages 11 to 15 form part of these financial statements

Notes to the financial statements

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 company prepares its accounts under the historical cost convention and in accordance with applicable United Kingdom Accounting laws and standards.

b) Exemption from the requirement to prepare group accounts

The company is exempt from the requirement to prepare group accounts as the company is included within the consolidated accounts of Alliance & Leicester plc. The consolidated accounts of this Group are available to the public and may be obtained from the address shown in note 11.

c) Cash flow statement

As a wholly owned subsidiary of Alliance & Leicester Plc, the company is exempt under FRS 1 (revised) 'Cash Flow Statements' from producing a cash flow statement.

d) 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 at 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.

e) Related party transactions

As the company is a wholly owned subsidiary of Alliance & Leicester plc, the company has taken advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the Group. The financial statements of Alliance & Leicester plc, within which this company is included, can be obtained from the address given in note 11.

f) Fixed asset investments

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

Notes (continued)

2. Operating profit

This represents the operating profit of the company and is stated after crediting:

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Release of provision against investment	<u>15,749</u>	<u>14,000</u>

The audit fee is borne by Alliance & Leicester Commercial Finance plc in both the current year and the prior year and is disclosed in the notes to that company's accounts.

3. Staff costs

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

The directors received no remuneration for the services to this company in either the current or previous years.

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 and Mr Swann are directors of Alliance & Leicester Commercial Bank plc and Mr Evans, 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.

4. Tax on profit 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% (2003: 30%)

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Profit on ordinary activities before taxation	<u>15,749</u>	<u>13,995</u>
Profit on ordinary activities by rate of tax	4,725	4,199
Non taxable provision release	(4,725)	(4,199)
Total current tax	<u>-</u>	<u>-</u>

5. Dividends

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Final proposed – £0.87 per ordinary share (2003 – £0.76)	<u>15,749</u>	<u>13,789</u>

Notes (continued)

6. Fixed asset investments

£'000

Shares in subsidiary undertakings:

Cost

At 1 January 2004 and 31 December 2004 145,120

Provisions

At 1 January 2004 43,423

Released during the year (15,749)

At 31 December 2004 27,674

Net book value

At 31 December 2004 117,446

At 31 December 2003 101,697

The company's only subsidiary undertaking at 31 December 2004 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 (continued overleaf). All of these subsidiaries are 100% owned :

	<u>Date of</u> <u>Name Change</u>	<u>Trade</u>	<u>Financial</u> <u>Year End</u>
A & L CF March (1) Limited		Lessors	31 March
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 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 (Formerly Sovereign Agricultural Limited)	28 May 2004	Lessors	30 September
A & L CF September (5) Limited (Formerly Alliance & Leicester Shelfco No 9 Limited)	1 July 2004	Lessors	30 September
A & L CF September (6) Limited (Formerly Alliance & Leicester Shelfco No 11 Limited)	1 July 2004	Lessors	30 September

Notes (continued)

6. Fixed asset investments (cont)

List of subsidiaries of Alliance & Leicester Commercial Finance plc (continued)

	<u>Date of</u> <u>Name Change</u>	<u>Trade</u>	<u>Financial</u> <u>Year End</u>
Evansgrove 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 (6) Limited	1 July 2004	Lessors	31 December
(Formerly Alliance & Leicester Shelfco No 12 Limited)			
A & L CF December (7) Limited	1 July 2004	Lessors	31 December
(Formerly Giro Shelfco Limited)			
A & L CF December (8) Limited	16 November 2004	Lessors	31 December
(Formerly Sovereign Car Leasing Limited)			
A & L CF December (9) Limited	16 November 2004	Lessors	31 December
(Formerly Sovereign Contract Hire Limited)			
Sovereign Freeze Limited	*	Lessors	31 December
Sovereign Gimi Limited	*	Lessors	31 December
Sovereign Hilli Limited	*	Lessors	31 December
Sovereign Khannur Limited	*	Lessors	31 December
Sovereign Spirit Limited	*	Lessors	31 December
Hansar Finance Limited		Lessors	31 December

* Incorporated in Bermuda 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.

7. Creditors

Amounts falling due within one year

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Amounts owed to group undertakings	88,967	73,216
Accruals and deferred income	-	2
	<u>88,967</u>	<u>73,218</u>

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

Notes (continued)

8. Provisions for liabilities and charges

The company has no deferred tax asset or liability in the year (2003: £ nil).

9. Share capital

	<u>2004</u>		<u>2003</u>	
	<u>No. ('000)</u>	<u>£'000</u>	<u>No. ('000)</u>	<u>£'000</u>
<i>Authorised:</i>				
Ordinary Shares of £1 each	<u>73,944</u>	<u>73,944</u>	<u>73,944</u>	<u>73,944</u>
<i>Allotted, called up and fully paid:</i>				
Ordinary Shares of £1 each	<u>18,194</u>	<u>18,194</u>	<u>18,194</u>	<u>18,194</u>

10. Reconciliation of movements in equity shareholders' funds

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Profit for the financial year	15,749	13,995
Dividends paid on equity shares	(15,749)	(13,789)
Retained profit for the year	<u>-</u>	<u>206</u>
Opening equity shareholders' funds	28,479	28,273
Closing equity shareholders' funds	<u>28,479</u>	<u>28,479</u>

11. Ultimate Parent Company

The immediate parent company, Alliance & Leicester Commercial Bank plc is a subsidiary of Alliance & Leicester plc, which is the ultimate parent undertaking incorporated in England and Wales.

The largest and smallest Group in which the results of the company are consolidated is the 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.