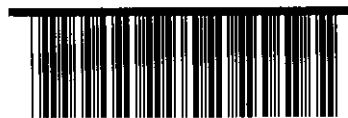


ALLIANCE & LEICESTER PRINT SERVICES LIMITED

COMPANY NO: 3805760

REPORT AND ACCOUNTS

**FROM INCORPORATION
FOR THE PERIOD 7 JULY 1999 TO 31 DECEMBER 1999**



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ALLIANCE & LEICESTER PRINT SERVICES LIMITED

DIRECTORS' REPORT 1999

The Directors present their Report, together with the audited accounts for the period ended 31 December 1999.

Principal Activities

The principal activity of the Company is printing for other companies in the Alliance & Leicester Group.

Business Review and Future Developments

The Company was incorporated on 7 July 1999.

No significant changes to the current business activities are envisaged.

The Directors are satisfied with the financial position of the Company. They believe that there are adequate resources for the Company to continue in operational existence for the foreseeable future and that there are sufficient funds to support current and planned activities.

Results and Dividends

The trading results for the period are set out in the Profit and Loss Account on page 6. The Directors do not propose to pay a dividend for the period. The profit of £69,832 is to be taken to reserves.

Directors

The following served as Directors of the Company during the period:

Mr CE Carter (Chairman)	(from 1/9/99)
Mr N Smith	(from 1/9/99)
Mr M Cowlard	(from 1/9/99)
Mr G Williams	(from 1/9/99)
Alliance & Leicester (Holdings) Limited	(from 7/7/99 until 1/9/99)

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 parent undertaking, Alliance & Leicester plc, were:

Directors	Fully Paid Shares of 50p each	
	At date of appointment	At 31 December 1999
Mr CE Carter	250	451
Mr M Cowlard	Nil	201
Mr N Smith	Nil	201

Options to Acquire Shares

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

Directors	Number of Options			Exercise Price £		Exercise Period
	At 01/09/99	During the Year Granted Exercised	At 31/12/99			
CE Carter	5,628		5,628	5.33	B	23/04/00-23/04/07
	469		469	5.33	C	23/04/00-23/04/04
	1,804		1,804	9.00½	C	06/03/01-06/03/05
	2,834		2,834	7.85	C	04/03/02-04/03/06
M Cowlard	1,283		1,283	6.72	A	01/11/03-01/05/04
	3,331		3,331	9.00½	B	06/03/01-06/03/08
	277		277	9.00½	C	06/03/01-06/03/05
	2,332		2,332	7.85	C	04/03/02-04/03/06
	1,257		1,257	6.712	A	01/11/04-01/05/05
N Smith	1,026		1,026	6.72	A	01/11/03-01/05/04
	3,331		3,331	9.00½	B	06/03/01-06/03/08
	277		277	9.00½	C	06/03/01-06/03/05
	2,318		2,318	7.85	C	04/03/02-04/03/06
	502		502	6.712	A	01/11/04-01/05/05

- A Options granted under the Alliance & Leicester Sharesave Scheme
- B Options granted under the Alliance & Leicester Approved Company Share Option Scheme
- C Options granted under the Alliance & Leicester Unapproved Company Share Option Scheme

Corporate Governance

The company's policies on Corporate Governance are consistent with those established at Group level and referred to in the 1999 Group Report and Accounts for Alliance & Leicester plc.

Employees

The Company does not have any employees. These are provided by Alliance & Leicester plc and a management charge exists to cover staff expenses.

Year 2000

The Company's systems successfully moved into the new Millennium. This resulted from a Groupwide programme of work, initiated in 1996, through which all areas assessed, corrected, and tested all services, including those supplied by external service providers and links with trading partners, payments systems, etc.

Monitoring will continue through the early part of 2000, to ensure that no problems arise as remaining processes operate live for the first.

Creditor Payment Policy

The Company recognises the importance of maintaining good business relationships with its suppliers. Although the Company does not formally follow any external code or standard on payment practice it follows the Alliance & Leicester Group policy to pay all invoices within the agreed terms. It is Group policy to:

- agree the terms of payment at the start of business with that supplier
- ensure suppliers are aware of the payment terms
- pay in accordance with any contractual and other legal obligations.

Auditors

KPMG Audit Plc have signified their willingness to continue in office and a resolution reappointing them as auditors and authorising the directors to determine their remuneration will be proposed at the Annual General Meeting.

APPROVED by the Board

On 6 April 2000

and signed on their behalf by:



Mrs S.J. Odell
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial accounts for each financial year which 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 those financial accounts 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;
- Prepare financial accounts on the going concern basis unless it is inappropriate to assume 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 accounts comply with the Companies Act 1985. 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.

AUDITORS' REPORT TO THE MEMBERS OF

ALLIANCE & LEICESTER PRINT SERVICES LIMITED

We have audited the financial statements on pages 6 to 10.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you 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 the audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.


Basis of audit opinion

We conducted our audit in accordance with 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 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

6 June 2000

1 Waterloo Way
LEICESTER
LE1 6LP

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 1999

	Note	Six months ended 31 December 1999
		£
Turnover	2	7,172,758
Cost of Sales		(7,032,116)
Operating Profit		140,642
Administration Expenses		(40,525)
Profit on Ordinary Activities before Taxation	4	100,117
Tax on Profit on Ordinary Activities	5	(30,285)
Profit for the Financial Period		69,832

All activities derive from continuing operations.

The notes on pages 8-10 form part of these accounts.

The movement on reserves is disclosed in note 9.

There are no recognised gains or losses other than the profit for the period. Accordingly no statement of total recognised gains and losses is provided.

BALANCE SHEET
as at 31 December 1999

	Note	1999 £
<i>Current Assets:</i>		
Debtors	6	5,431,464
		<u>5,431,464</u>
<i>Creditors:</i>		
Amounts falling due within one year	7	<u>(5,361,631)</u>
<i>Net Current Assets:</i>		69,833
		<hr/>
<i>Total Assets Less Current Liabilities:</i>		69,833
<i>Creditors:</i>		
Amounts falling due after more than one year		-
		<u>69,833</u>
		<hr/>
<i>Capital and Reserves:</i>		
Called up share capital	8	1
Profit & Loss Account	9	69,832
Equity Shareholders Funds		<u>69,833</u>
		<hr/>

The notes on pages 8-10 form part of these accounts.

A reconciliation of movements in shareholders funds is detailed in Note 10.

Approved by the Board of Directors on 6 April 2000.



C E Carter
Chairman

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

Basis of Accounting

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

Related Party Disclosures

The company, being a wholly owned subsidiary of Alliance & Leicester plc, has taken advantage of the exemption offered by FRS 8 and is not required to disclose transactions with other group companies.

Cashflow

Under FRS1 (revised 1996) the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2. Turnover

Turnover comprises the value of goods and services provided, excluding VAT.

3. Directors

The emoluments of the chairman were £nil. No other directors received any emoluments in respect of qualifying services to the company during the period.

4. Profit on Ordinary Activities before Taxation

The profit on ordinary activities before taxation is arrived after charging:

	Six months ended 31 December 1999
	£
Auditors remuneration for audit services	<u>3,000</u>

NOTES TO THE ACCOUNTS

5. Tax on Profit on Ordinary Activities

The taxation charge for the period comprises:

	Six months ended 31 December 1999 £
UK Corporation tax at 30.25%	<u>30,285</u>

6. Debtors

Amounts falling due within one year:

	1999 £
Amounts Owed by Group Undertakings	4,846,943
Other debtors	<u>584,521</u>
	<u>5,431,464</u>

7. Creditors

Amounts falling due within one year:

	1999 £
Bank Overdraft	2,516,540
Trade Creditors	1,048,402
Corporation tax	30,285
Accruals and deferred income	<u>1,766,404</u>
	<u>5,361,631</u>

NOTES TO THE ACCOUNTS

8. Share Capital

	1999 £
Authorised:	
Ordinary Shares of £1 each	<u>100</u>
Allotted called up and fully paid:	
Ordinary Shares of £1 each	<u>1</u>

9. Reserves

	1999 £
Retained Profit for the Period	<u>69,832</u>
At 31 December 1999	<u>69,832</u>

10. Reconciliation of Movements in Shareholders Funds

	1999 £
Retained Profit for the Period	<u>69,832</u>
Closing Shareholders Funds	<u>69,832</u>

11. Ultimate Parent Undertaking

Alliance & Leicester Print Services Ltd is a wholly owned subsidiary of Alliance & Leicester plc. Alliance & Leicester plc is the parent undertaking and ultimate controlling party. The results of Alliance & Leicester Print Services Ltd have been consolidated into the group accounts of Alliance & Leicester plc. Copies of Alliance & Leicester plc accounts can be obtained from 49 Park Lane, London, W1Y 4EQ.