

ALLIANCE & LEICESTER PRINT SERVICES LIMITED

COMPANY NO: 3805760

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 2003



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ALLIANCE & LEICESTER PRINT SERVICES LIMITED

DIRECTORS' REPORT 2003

The directors present their Report, together with the audited accounts for the year ended 31 December 2003.

Principal Activities

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

Business Review and Future Developments

No significant changes to the current business activities are envisaged.

Results and Dividends

The trading results for the year are set out in the Profit and Loss Account on page 8.

The profit on ordinary activities before tax for the year ended 31 December 2003 was £3,536,715 (2002: £2,177,347).

The directors propose a final dividend for the year of £2,477,000 (2002: £1,930,000) to be paid on 29th October 2004.

Directors

The following served as directors of the Company during the year:

C Bayliss	(Appointed 13 th June 2003)
G R Evans	(Alternate to H Riley)
M Hall	(Alternate to S Leonard, Appointed 13 th June 2003)
J Hennigan	(Resigned 1 st March 2004)
S Leonard	
C S Rhodes	(Appointed 1 st January 2003)
H R Riley	
A Sharif	(Resigned 13 th June 2003)
N Veall	(Alternate to G Wilkinson, Appointed 1 st March 2004)
G Wilkinson	

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 1 st January 2003 (or date of appointment if later)	At 31 st December 2003
C Bayliss	Nil	Nil
G R Evans	897	1,289
M Hall	794	874
J Hennigan	3,744	2,738
S Leonard	502	1,019
C S Rhodes	8,088	17,893
H R Riley	3,692	3,537
G Wilkinson	6,332	2,951

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:

	Number of Options				Exercise Price	Market price at date of exercise	Exercise period
	During the Year						
Directors	At 01.01.2003	Granted	Exercised	At 31.12.2003	£	£	
C L Bayliss		909 3,411 909		909 3,411 909	7.54½ # 8.79½ # 8.79½ ~		26/2/06-26/2/13 1/9/06-1/9/13 1/9/06-1/9/13
G R Evans	1,489	1,596 719 735		1,489 1,596 719 735	7.95 # 7.54½ # 8.79½ # 8.79½ ~		6/8/05-6/8/12 26/2/06-26/2/13 1/9/06-1/9/13 1/9/06-1/9/13
M J Hall	1,403 901	1,479 874 496 268		1,403 901 1,479 874 496 268	7.95 # 6.32 § 7.54½ # 8.79½ # 8.79½ ~ 6.89 §		6/8/05-6/8/12 1/11/05-1/5/06 26/2/06-26/2/13 1/9/06-1/9/13 1/9/06-1/9/13 1/11/06-1/5/07
J A Hennigan	1,865 1,648 505 1,182 5,480 1,503	3,976 3,683		1,865 1,648 505 1,182 5,480 1,503 3,976 3,683	6.70 # 8.05½ # 8.37 # 8.37 ~ 7.95 ~ 6.32 § 7.54½ ~ 8.79½ ~		23/2/04-23/2/11 23/7/04-23/7/11 12/3/05-12/3/12 12/3/05-12/3/12 6/8/05-6/8/12 1/11/05-1/5/06 26/2/06-26/2/13 1/9/06-1/9/13

S Leonard	3,544 775 2,172 3,141 11,158 1,503	7,620 7,674		3,544 775 2,172 3,141 11,158 1,503 7,620 7,674	6.70 # 8.05½ # 8.05½ ~ 8.37 ~ 7.95 ~ 6.32 § 7.54½ ~ 8.79½ ~		23/2/04-23/2/11 23/7/04-23/7/11 23/7/04-23/7/011 12/3/05-12/3/12 6/8/05-6/8/12 1/11/07-1/5/08 26/2/06-26/2/13 1/9/06-1/9/13
H R Riley	4,111 1,063 1,348 1,245 3,309 1,553 5,886 901	3,962 2,384 1,287 537	(4,111) (1,063)	Nil Nil 1,348 1,245 3,309 1,553 5,886 901 3,962 2,384 1,287 537	5.10 # 3.644 § 6.70 # 6.70 ~ 8.05½ ~ 8.37 ~ 7.95 ~ 6.32 § 7.54½ ~ 8.79½ # 8.79½ 6.89 §	8.30 8.87	17/2/03-17/2/10 1/11/03-1/5/04 23/2/04-23/2/11 23/2/04-23/2/08 23/7/04-23/7/11 12/3/05-12/3/12 6/8/05-6/8/12 1/11/05-1/5/06 26/2/06-26/2/13 1/9/06-1/9/13 1/9/06-1/9/13 1/11/06-1/5/07
C S Rhodes	7,190 14,171 38,235 28,544 22,243 2,618 3,584 5,885 20,219	23,856 23,877	(38,235)	7,190 14,171 Nil 28,544 22,243 2,618 3,584 5,885 20,219 23,856 23,877	9.005 ~ 7.85 ~ 5.10 ~ 6.70 ~ 8.055 ~ 6.32 § 8.37 # 8.37 ~ 7.95 ~ 7.545 ~ 8.975 ~	8.62	6/3/01-5/3/05 4/3/02-3/3/06 23/2/04-22/2/08 23/7/04-22/7/08 1/11/07-1/5/08 12/3/05-11/3/12 12/3/05-11/3/12 6/8/05-5/8/12 26/2/06-25/2/13 1/9/06-31/8/13
G Wilkinson	193 1,832 2,993 4,166 4,218 9,888 6,365 3,091 12,468 2,618	8,283 7,674	(4,166)	193 1,832 2,993 Nil 4,218 9,888 6,365 3,091 12,468 2,618 8,283 7,674	9.00½ # 9.00½ ~ 7.85 ~ 5.10 ~ 6.70 # 6.70 ~ 8.05½ ~ 8.37 ~ 7.95 ~ 6.32 § 7.54½ ~ 8.79½ ~	7.76	6/3/01-6/3/08 6/3/01-6/3/05 4/3/02-4/3/06 17/2/03-17/2/07 23/2/04-23/2/11 23/2/04-23/2/08 23/7/04-23/7/11 12/3/05-12/3/12 6/8/05-6/8/12 1/11/07-1/5/08 26/2/06-26/2/13 1/9/06-1/9/13

§ 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 options awarded under the deferred bonus scheme:

Executive Director	Bonus Year		Value of award £	Market Value at date of grant £	No. of shares under Option	Exercise Price £	Exercise Period
J A Hennigan	2001	Deferred Shares	1,994.79	6.785	294	Nil	15/3/04-15/3/08
	2001	Matching Shares	1,994.79	6.785	294	Nil	15/3/04-15/3/08
	2002	Deferred Shares	2,536.11	8.37	303	Nil	12/3/05-12/3/09
	2002	Matching Shares	2,536.11	8.37	303	Nil	12/3/05-12/3/09
	2003	Deferred Shares	6,926.31	7.545	918	Nil	26/2/06-26/2/10
	2003	Matching Shares	6,926.31	7.545	918	Nil	26/2/06-26/2/10
S Leonard	2002	Deferred Shares	4,636.98	8.37	554	Nil	12/3/05-12/3/09
	2002	Matching Shares	4,636.98	8.37	554	Nil	12/3/05-12/3/09
	2003	Deferred Shares	20,235.69	7.545	2,682	Nil	26/2/06-26/2/10
	2003	Matching Shares	20,235.69	7.545	2,682	Nil	26/2/06-26/2/10
H Riley	2001	Deferred Shares	2,775.07	6.785	409	Nil	15/3/04-15/3/08
	2001	Matching Shares	2,775.07	6.785	409	Nil	15/3/04-15/3/08
	2002	Deferred Shares	2,854.17	8.37	341	Nil	12/3/05-12/3/09
	2002	Matching Shares	2,854.17	8.37	341	Nil	12/3/05-12/3/09
	2003	Deferred Shares	7,952.43	7.545	1,054	Nil	26/2/06-26/2/10
	2003	Matching Shares	7,952.43	7.545	1,054	Nil	26/2/06-26/2/10
C S Rhodes	2000	Deferred Shares	20,245.00	6.785	3,021	Nil	15/3/04-15/3/08
	2000	Matching Shares	20,245.00	6.785	3,021	Nil	15/3/04-15/3/08
	2001	Deferred Shares	14,525.00	8.37	1,735	Nil	13/3/05-12/3/09
	2001	Matching Shares	14,525.00	8.37	1,735	Nil	13/3/05-12/3/09
	2002	Deferred Shares	67,000.00	7.545	8,879	Nil	26/2/06-26/2/10
G Wilkinson	2001	Deferred Shares	5,862.24	6.785	864	Nil	15/3/04-15/3/08
	2001	Matching Shares	5,862.24	6.785	864	Nil	15/3/04-15/3/08
	2002	Deferred Shares	5,691.60	8.37	680	Nil	12/3/05-12/3/09
	2002	Matching Shares	5,691.60	8.37	680	Nil	12/3/05-12/3/09
	2003	Deferred Shares	23,117.88	7.545	3,064	Nil	26/2/06-26/2/10
	2003	Matching Shares	23,117.88	7.545	3,064	Nil	26/2/06-26/2/10

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

Corporate Governance

The Company's policies on Corporate Governance are consistent with those established at Group level and referred to in the 2003 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.

Creditor Payment Policy

The 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:

- 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.

Trade creditor days of the company for the year ended 31 December 2003 were 31 days (2002: 13 days), based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

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 re-appointing Deloitte & Touche LLP as auditors and authorising the directors to determine their remuneration will be proposed at the Annual General Meeting.

APPROVED by the Board
20th October 2004
and signed on their behalf by:



S Odell
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the Company for that year. 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 the Company's system of internal financial control, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

ALLIANCE & LEICESTER PRINT SERVICES LIMITED

We have audited the financial statements of Alliance & Leicester Print Services Ltd for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 DIRECTOR 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

25 October 2004

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Note	2003	2002
		£	£
Turnover	2	31,730,629	30,240,938
Cost of Sales		(27,591,851)	(25,996,465)
Gross Profit		<u>4,138,778</u>	<u>4,244,473</u>
Administration Expenses		(602,063)	(2,067,126)
Operating Profit being Profit on Ordinary Activities before Taxation	4	<u>3,536,715</u>	<u>2,177,347</u>
Tax on Profit on Ordinary Activities	5	(1,060,406)	(593,204)
Profit on Ordinary Activities after Taxation		<u>2,476,309</u>	<u>1,584,143</u>
Dividends	6	(2,477,000)	(1,930,000)
Retained Loss for the Year	10	<u>(691)</u>	<u>(345,857)</u>

All activities derive from continuing operations.

The attached notes 1-12 form part of these accounts.

In both the current and preceding financial year there are no recognised gains or losses other than the profit for the years. Accordingly no statement of total recognised gains and losses is provided.

BALANCE SHEET
as at 31 December 2003

	Note	2003 £	2002 £
<i>Current Assets:</i>			
Debtors	7	7,764,663	6,685,500
		<u>7,764,663</u>	<u>6,685,500</u>
<i>Creditors:</i>			
Amounts falling due within one year	8	(7,762,955)	(6,683,101)
<i>Net Assets</i>		<u>1,708</u>	<u>2,399</u>
<i>Capital and Reserves:</i>			
Called up share capital	9	1	1
Profit & Loss Account	10	1,707	2,398
Equity Shareholders Funds		<u>1,708</u>	<u>2,399</u>

The attached notes 1-12 form part of these accounts.

A reconciliation of movements in shareholders funds is detailed in note 11.

Approved by the Board of directors on 20th October 2004.



G Wilkinson
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.

Cash flow statement

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 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.

2. Turnover

Turnover comprises the value of goods and services provided, excluding VAT. The origin and destination of all turnover was the United Kingdom.

3. Directors and Employees

The emoluments of the chairman were £nil (2002 - nil). No other directors received any emoluments in respect of qualifying services to the Company during the year (2002 - nil). There are no employees of the Company.

4. Profit on Ordinary Activities before Taxation

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

	2003 £	2002 £
Auditors remuneration for audit services	<u>15,615</u>	<u>15,000</u>

NOTES TO THE ACCOUNTS

5. Tax on Profit on Ordinary Activities

(a) Analysis of tax charge in year	2003	2002
	£	£
UK Corporation Tax @ 30% (2002:30%)	1,061,015	593,204
Adjustment to UK corporation tax on profits for prior periods	(609)	nil
Current Tax on profit on ordinary activities	<u>1,060,406</u>	<u>593,204</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%), where the Company generates it's profits. The differences are explained below:

	2003	2002
	%	%
Standard rate of tax	30.0	30.0
Factors affecting charge:		
Disallowable expenses and non-taxable income	nil	(2.8)
Adjustment to tax charge in respect of previous periods	(0.0)	nil
Current rate of tax for year	<u>30.0</u>	<u>27.2</u>

6. Dividends

	2003	2002
	£ per share	£ per share
Proposed	<u>2,477,000</u>	<u>1,930,000</u>

7. Debtors

Amounts falling due within one year:

	2003	2002
	£	£
Amounts Owed by Group Undertakings	7,051,742	6,154,495
Other debtors	712,921	531,005
	<u>7,764,663</u>	<u>6,685,500</u>

NOTES TO THE ACCOUNTS

8. Creditors

Amounts falling due within one year:

	2003 £	2002 £
Bank Overdraft (Unsecured)	203	138,749
Trade Creditors	1,285,209	1,028,080
Amounts Owed to Group Undertakings	2,477,000	1,930,000
Corporation tax	1,061,015	593,609
Accruals and deferred income	2,939,528	2,992,663
	<u>7,762,955</u>	<u>6,683,101</u>

9. Share Capital

	2003 £	2002 £
Authorised:		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted called up and fully paid:		
1 Ordinary Share of £1	<u>1</u>	<u>1</u>

10. Reserves

	2003 £	2002 £
Profit and loss account		
At 1 January	2,398	348,255
Retained Loss for the Year	(691)	(345,857)
At 31 December	<u>1,707</u>	<u>2,398</u>

NOTES TO THE ACCOUNTS

11. Reconciliation of Movements in Shareholders Funds

	2003 £	2002 £
Profit for the Year	2,476,309	1,584,143
Dividends	(2,477,000)	(1,930,000)
Net movement in Shareholders' Funds	(691)	(345,857)
Opening Shareholders' Funds	2,399	348,256
Closing Shareholders' Funds	1,708	2,399

12. 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.