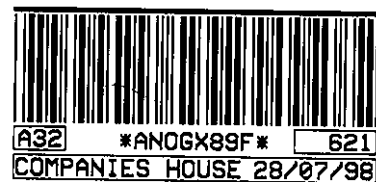


Lordsvale Finance Limited

Accounts 31 March 1998
together with directors' and auditors' reports

Registered number:1052150



Directors and Officers

Directors

WR Ruffler (Junior)- Chairman

WR Ruffler (Senior)

JA Brimley

JW Nail

Secretary

KJ Kenneally

Registered office

29 East Street

Epsom

Surrey KT17 1BS

Auditors

Binder Hamlyn

20 Old Bailey

London EC4M 7BH

Directors' report

For the year ended 31 March 1998

Financial statements

The directors present their consolidated report and financial statements for the year ended 31 March 1998. The consolidated financial statements have been prepared in accordance with the special provisions relating to banking companies set out in Schedule 9 of the Companies Act 1985.

Statement of directors' responsibilities

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of the business

The company is the holding company for a group of banking and finance companies.

The principal subsidiary Ruffler Bank plc, is an authorised institution under the Banking Act 1987. The principal activities of Ruffler Bank plc are finance and associated banking services. New business has remained strong and the directors anticipate an increase in the Loan Book over the next year with margins being maintained.

Results and dividends

The results for the year are set out in the consolidated profit and loss account on page 4.

An interim dividend of £50,000 was paid during the year. The directors do not recommend the payment of a final dividend for the year.

Fixed assets

Details of movements in fixed assets during the year are given in note 12 to the financial statements.

Directors' report

For the year ended 31 March 1998

Directors

The directors during the year were as follows:

WR Ruffler (Junior) (Chairman)
WR Ruffler (Senior)
JA Brimley
JW Nail

Directors' interests

The directors who held office at 31 March 1998 and had interests in the shares were as follows:

	Ordinary shares of £1 each at beginning and end of year	'A' Non-voting shares of £1 each at beginning and end of year
WR Ruffler (Junior) - held beneficially	50,250	25,000
WR Ruffler (Junior) - held non-beneficially	36,000	-

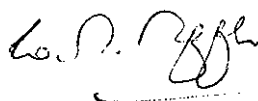
Post balance sheet events and future developments

The directors are not aware of any important events affecting the Group which have occurred since the year end.

Charitable donations

During the year the Group made charitable donations in the UK of £3,781 (1997: £2,787).

This report was approved by the Board on 1998.



WR Ruffler (Junior)
Director

BINDER HAMLYN

Andersen Worldwide

20 Old Bailey
London EC4M 7BH

Auditors' report

To the shareholders of Lordsvale Finance Limited

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention as modified by the revaluation of investment properties and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

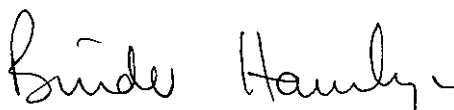
Basis of opinion

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 affairs of the group and the company at 31 March 1998 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

16 July 1998

Consolidated profit and loss account

For the year ended 31 March 1998

	Notes	1998 £'000	1997 £'000
Interest receivable		2,429	2,041
Interest payable		(432)	(297)
Net interest income		1,997	1,744
Fees and commissions receivable		95	39
Other operating income	4	558	440
Operating income		2,650	2,223
Administrative expenses			
- staff costs	2	572	473
- other administrative expenses		358	298
Provisions for bad and doubtful debts	8	56	83
Depreciation	12	21	25
Operating expenses		(1,007)	(879)
Profit on ordinary activities before taxation	4	1,643	1,344
Tax on profit on ordinary activities	5	(384)	(593)
Profit on ordinary activities after taxation		1,259	751
Dividends	6	(50)	(50)
Retained profit for the financial year	17	1,209	701
Balance brought forward		4,794	4,093
Balance carried forward		6,003	4,794

There are no recognised gains and losses other than the result for the year.

There is no material difference between the retained profit for the year reported above and the retained profit on an historical cost basis. All the above results derive from continuing activities and there were no acquisitions in the period.

Consolidated balance sheet

31 March 1998

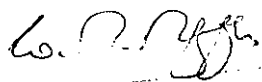
	Notes	1998 £'000	1997 £'000
Assets			
Loans and advances to banks			
Repayable on demand	7	187	84
Other loans and advances	7	700	-
		887	84
Loans and advances to customers	8	13,053	10,871
Debt securities	9	96	96
Tangible fixed assets	12	1,233	1,822
Other assets		450	911
Prepayment and accrued income		6	-
Total assets		15,725	13,784
Liabilities			
Deposits by banks			
Repayable on demand	13	269	158
Customer accounts			
Repayable on demand	14	92	61
With agreed maturity dates or periods of notice	14	5,499	4,525
		5,591	4,586
Other liabilities	15	1,309	1,252
Accruals and deferred income		184	625
Total liabilities		7,353	6,621
Called up share capital	16	111	111
Share premium		445	445
Capital reserve		1,813	1,813
Profit and loss account		6,003	4,794
Shareholders' funds	17	8,372	7,163
Total liabilities and reserves		15,725	13,784

Balance sheet

31 March 1998

	Notes	1998 £'000	1997 £'000
Fixed asset investments	11	230	230
ACT recoverable		13	13
Other debtors		12	-
Amounts due from subsidiaries		329	364
Net assets		<u>584</u>	<u>607</u>
Capital and reserves			
Called up share capital	16	111	111
Share premium account		445	445
Profit and loss account		28	51
Shareholders funds	17	<u>584</u>	<u>607</u>

The financial statements on pages 4 to 16 were approved by the Board on 16 July 1998.



WR Ruffler (Junior)

Director

Consolidated cash flow statement

For the year ended 31 March 1998

Reconciliation of operating profit to net operating cash flows

	Year ended 31 March 1998		Year ended 31 March 1997	
	£'000	£'000	£'000	£'000
Operating profits		1,643		1,344
(Increase) decrease in accrued income and prepayments		(6)		22
Decrease in accruals and deferred income		(441)		233
Provision for bad and doubtful debts		56		83
Depreciation		21		25
Profits on sale of investment properties		(309)		-
Net cash flow from trading activities		964		1,707
Net increase in loans and advances to banks and customers	(3,163)		(1,693)	
Net increase in deposits by banks and customer accounts	1,116		607	
Net decrease (increase) in other assets	473		(267)	
Net increase (decrease) in other liabilities	213	(1,361)	(33)	(1,386)
Net cash (outflow) inflow from operating activities		(397)		321
Cash flow statement				
Net cash (outflow) inflow from operating activities		(397)		321
Taxation		(552)		(422)
Capital expenditure and financial investment (note 21)		(1,102)		(290)
Equity dividends paid		(50)		(50)
Increase (decrease) in cash		103		(441)

Notes to the financial statements

For the year ended 31 March 1998

1 Accounting policies

a) Accounting basis

The financial statements are prepared under the historical cost convention.

b) Finance leases and hire purchase agreements

Income receivable from finance leases and hire purchase agreements is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment.

Investments in finance leases and hire purchase agreements are shown in the balance sheet as debtors and represent the total rentals receivable less the income allocated to future periods.

c) Loan agreements

Interest receivable from loan agreements is credited to the profit and loss account to give an even apportionment over the life of the loan agreement.

Loan debtors in the balance sheet represent the amount of total repayments receivable less the income allocated to future periods.

d) Provisions for loan losses

Provisions for loan losses are based on a year end appraisal of recoverability of all advances. Specific provision is made against loans which have been identified as bad or doubtful to reduce the carrying amount, including interest in arrears, to estimated realisable value. General provision is made for latent bad and doubtful debts which are present in any portfolio of bank advances but which have not been specifically identified. Bad debts are written-off in part or in whole when the extent of loss has been confirmed.

e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation. Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures, fittings and equipment	- 5 years
Computers	- 4 years
Motor vehicles	- 5 years

f) Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries which are accounted for under the acquisition accounting method. The company has taken advantage of section 230 of the Companies Act 1985 and accordingly does not present its own profit and loss account. The three subsidiaries of Ruffler Bank plc draw up their accounts to different period ends, in order to mitigate certain deferred tax effects. Each of these subsidiary's accounting year ends on the last day of the month which forms part of its name. The consolidation includes the 31 March management accounts of these subsidiaries.

Notes to the financial statements (continued)

1 Accounting policies (continued)

g) Investment properties

The Group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve; and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view.

h) Fees and commissions

Fees and commissions arising on loans are credited to the profit and loss account when payment is received, according to the terms and conditions under which this type of business is transacted. This is a departure from the accruals concept but consistent with the prudence concept.

i) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities held at the balance sheet date are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences are charged or credited to the profit and loss account.

j) Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

k) Pension costs

The regular cost of providing retirement pensions is charged to the profit and loss account over the employees' service lives on the basis of the defined contribution for each year.

l) Segmental information

In the opinion of the directors the Group has a single, continuing class of business operating within the U.K.

m) Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

Notes to the financial statements (continued)

2 Staff costs

	1998 £'000	1997 £'000
Wages and salaries	454	371
Social security costs	46	33
Other pension costs	72	69
	<u>572</u>	<u>473</u>

The average number of persons employed by the Group during the year, including directors was 12 (1997: 10).

3 Directors' emoluments

	1998 £'000	1997 £'000
The remuneration of the directors of the company was:		
Emoluments (including benefits in kind)	215	207
Pension scheme contributions	2	2
	<u>217</u>	<u>209</u>

Pensions

Two directors (1997 :Two) were members of the Group's money purchase pension scheme.

No retirement benefits were paid to directors and past directors in excess of the benefits to which they were entitled on the date retirement benefits first become payable or 31 March 1998 whichever is the later.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director.

	1998 £'000	1997 £'000
Emoluments	91	91
Group contributions to money purchase schemes	1	1
	<u>92</u>	<u>92</u>

Notes to the financial statements (continued)

4 Profit on ordinary activities before and after taxation is stated:

	1998	1997
	£'000	£'000
after crediting		
Profit on sale of investment properties	309	-
Property rental income	113	145
	<u>113</u>	<u>145</u>
after charging:		
	1998	1997
	£'000	£'000
Interest payable on		
- deposits by banks	26	29
- customer accounts	407	268
Auditors' remuneration		
- audit fees	23	22
- non-audit fees	20	17
	<u>20</u>	<u>17</u>

5 Taxation

	1998	1997
	£'000	£'000
UK current year taxation:		
UK Corporation tax at 31% (1997: 33%)	530	593
Overprovision in prior years	(146)	-
	<u>384</u>	<u>593</u>
Tax on profit on ordinary activities		

6 Dividends

	1998	1997
	£'000	£'000
Interim paid	50	50

7 Loans and advances to banks

	1998	1997
	£'000	£'000
Repayable on demand	187	84
Other loans and advances		
- repayable in not more than three months but not on demand	700	-
	<u>887</u>	<u>84</u>

There were no general or specific doubtful debt provisions against loans and advances to banks.

Notes to the financial statements (continued)

8 Loans and advances to customers

	1998	1997	
	£'000	£'000	
Payable in not more than three months	5,766	3,826	
Repayable in more than three months but not more than one year	4,082	4,438	
Repayable in more than one year but not more than five years	3,867	3,352	
Specific and general doubtful debt provisions	(662)	(745)	
	<u>13,053</u>	<u>10,871</u>	
Of which repayable on demand or at short notice	<u>1,225</u>	<u>1,298</u>	
Specific and general doubtful debt provisions			
	Specific	General	Total
	£'000	£'000	£'000
1 April 1997	584	161	745
Written off	(139)	-	(139)
Charge to profit and loss account	<u>19</u>	<u>37</u>	<u>56</u>
31 March 1998	<u>464</u>	<u>198</u>	<u>662</u>
Loans and advances to customers comprise:	1998	1997	
	£'000	£'000	
Finance leases and hire purchase agreements			
Investments in finance leases	1,932	3,796	
Investment in hire purchase agreements	<u>3,276</u>	<u>2,027</u>	
	5,208	5,823	
Loans	<u>7,845</u>	<u>5,048</u>	
	<u>13,053</u>	<u>10,871</u>	

Notes to the financial statements (continued)

8 Loans and advances to customers (continued)

Details of the original cost of assets leased and the gross amount of rentals receivable at the year end were:

	Assets purchased		Rentals receivable	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Finance leases	912	3,645	2,262	4,532
Hire purchase agreements	3,380	1,997	3,852	2,461
	<u>4,292</u>	<u>5,642</u>	<u>6,114</u>	<u>6,993</u>

9 Debt securities

	1998		1997	
	Balance sheet	Market value	Balance sheet	Market value
	£'000	£'000	£'000	£'000
Issued by public bodies				
- government securities	<u>96</u>	<u>108</u>	<u>96</u>	<u>103</u>

10 Assets and liabilities denominated in foreign currency

As at 31 March 1998 and 31 March 1997 there were no assets or liabilities denominated in foreign currency.

11 Investment in subsidiaries

The company owns 100% of the issued share capital of Ruffler Bank plc which is a registered bank and 100% of the issued share capital of Lordsvale Leasing Limited which is dormant.

Ruffler Bank plc holds 100% of the issued share capital of Ruffler Bank Leasing (June) Limited, Ruffler Bank Leasing (September) Limited and Ruffler Bank Leasing (December) Limited. These subsidiaries operate as leasing companies and are included in the consolidated accounts. Ruffler Bank plc holds 100% of the issued share capital of Ruffler Bank Nominees Limited which does not trade but acts as a nominee company.

Notes to the financial statements (continued)

12 Tangible fixed assets

	Investment properties £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
1 April 1997	1,733	101	50	1,884
Additions	-	28	-	28
Transfers	249	(24)	-	225
Disposals	(821)	-	-	(821)
31 March 1998	<u>1,161</u>	<u>105</u>	<u>-</u>	<u>1,316</u>
Depreciation				
1 April 1997	-	30	32	62
Charge for the year	-	15	6	21
31 March 1998	<u>-</u>	<u>45</u>	<u>38</u>	<u>83</u>
Net book value				
31 March 1998	<u>1,161</u>	<u>60</u>	<u>12</u>	<u>1,233</u>
31 March 1997	<u>1,733</u>	<u>71</u>	<u>18</u>	<u>1,822</u>
Analysis of cost or valuation				
1998 valuation	1,161	-	-	1,161
Cost	-	71	18	89
	<u>1,161</u>	<u>71</u>	<u>18</u>	<u>1,250</u>

Investment properties were valued at 31 March 1998 by the directors on a yield basis. Under historical cost accounting rules the net book value of investment properties would have been £1,138,000 after reduction by a depreciation charge of £23,000.

Future capital expenditure

At 31 March 1998 there was no capital expenditure authorised but not contracted for or contracted but not provided for (1997: £Nil).

Notes to the financial statements (continued)

13 Deposits by banks

	1998 £'000	1997 £'000
Repayable on demand	<u>269</u>	<u>158</u>

14 Customer accounts

	1998 £'000	1997 £'000
Repayable on demand	<u>92</u>	<u>61</u>
Repayable in not more than three months but not on demand	4,160	4,177
Repayable in more than three months but not more than one year	312	246
Repayable in more than one year but not more than five years	<u>1,027</u>	<u>102</u>
	<u>5,499</u>	<u>4,525</u>

15 Other liabilities

	1998 £'000	1997 £'000
Trade creditors	209	540
Corporation tax	520	626
Other taxation and social security costs	159	8
Other creditors	<u>421</u>	<u>105</u>
	<u>1,309</u>	<u>1,252</u>

16 Share capital

	Authorised		Allotted, called up and fully paid	
	1998 Number	1997 Number	1998 £'000	1997 £'000
Ordinary shares of £1 each	100,000	100,000	86	86
'A' non-voting shares of £1 each	<u>25,000</u>	<u>25,000</u>	<u>25</u>	<u>25</u>
	<u>125,000</u>	<u>125,000</u>	<u>111</u>	<u>111</u>

Notes to the financial statements (continued)

17 Reconciliation of movements in shareholders' funds

	Group 1998 £'000	Company 1998 £'000	Group 1997 £'000	Company 1997 £'000
Profit for the financial year	1,209	(23)	701	27
Opening shareholders' funds	7,163	607	6,462	580
Closing shareholders' funds	8,372	584	7,163	607

18 Contingent liabilities

At 31 March 1998 there were contingent liabilities of £25,000 (1997: £282,000). These relate to guarantees made to third parties on behalf of customers of Ruffler Bank plc.

19 Pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Pension contribution of £Nil (1997: £Nil) were charged to the profit and loss account during the year in respect of this scheme. There are no outstanding or prepaid contributions at the year end (1997: £Nil).

20 Related parties

Certain of the directors and the shareholders of the company and of the directors of Ruffler Bank plc, in their capacities as individuals, trustees, directors of other companies or members of pension schemes are interested in deposit accounts with Ruffler Bank plc; such accounts have been operated on Ruffler Bank plc's normal terms and conditions.

21 Gross cash flows

	1998 £'000	1997 £'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(28)	(290)
Sales of investment properties	1,130	-
	1,102	(290)

22 Analysis of the balances of cash shown in the balance sheet

	At 1 April 1997 £'000	Cash flow £'000	At 31 March 1998 £'000
Loans and advances to other banks repayable on demand	84	103	187
	84	103	187