

**LORDSVALE FINANCE LIMITED
(formerly Vyne House Securities Limited)
AND SUBSIDIARY UNDERTAKINGS**

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

for the year ended 31 March 1996

Company number 1052150



BINDER HAMLYN

LORDSVALE FINANCE LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

WR Ruffler Junior - Chairman
WR Ruffler Senior
JW Nail
J Brimley

SECRETARY

KJ Kenneally

REGISTERED OFFICE

111-113 Wandsworth High Street
London SW18 4HY

AUDITORS

Binder Hamlyn
20 Old Bailey
London EC4M 7BH

LORDSVALE FINANCE LIMITED

DIRECTORS' REPORT for the year ended 31 March 1996

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 31 March 1996. The financial statements have been prepared in accordance with the special provisions relating to banking groups 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 the group and of the profit or loss of the company 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 BUSINESS

The company is a holding company for a group containing an authorised institution under the Banking Act 1987. The principal activities of the group 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.

RESULTS AND DIVIDENDS

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

The directors do not recommend the payment of a dividend for the year (1995 £Nil).

FIXED ASSETS

Details of movements in fixed assets during the year are given in notes 8 and 10 to the financial statements.

LORDSVALE FINANCE LIMITED

DIRECTORS' REPORT for the year ended 31 March 1996

DIRECTORS

The directors during the year were as follows:

WR Ruffler Junior	(Chairman)
WR Ruffler Senior	
JW Nail	
J Brimley	(Appointed 16 September 1996)

DIRECTORS' INTERESTS

The directors who held office at 31 March 1996 and had interests in the shares of the company were as follows:

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

During the year the group made charitable donations in the UK of £1,267 (1995: £670).

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 4 December 1996


W R Ruffler
Director

BINDER HAMLYN

20 Old Bailey
London EC4M 7BH

AUDITORS' REPORT

to the members of Lordsvale Finance Limited

We have audited the financial statements on pages 4 to 18 which have been prepared on the basis of the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of 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 company and of the group as at 31 March 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

4 December 1996

LORDSVALE FINANCE LIMITED

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1996

	Notes	1996	1995
		£000	£000
Interest receivable		1,515	1,482
Interest payable		(245)	(187)
Net interest income		1,270	1,295
Fees and commissions receivable		33	44
Other operating income		447	84
Operating income		1,750	1,423
Administrative expenses			
- staff costs	2	407	352
- other administrative expenses		253	201
Provisions for bad and doubtful debts	7	34	160
Depreciation	10	36	36
Operating expenses		(730)	(749)
Profit on ordinary activities before taxation	4	1,020	674
Tax on profit on ordinary activities	5	(354)	(162)
Profit on ordinary activities after taxation		666	512
Dividends		-	-
Retained profit for the financial year		666	512
Balance brought forward		3,427	2,915
Balance carried forward		4,093	3,427

There is no material difference between the retained profit for the year reported above and the retained profit on a historical cost basis.

There are no recognised gains and losses other than the profit for the year (1995: none).

LORDSVALE FINANCE LIMITED**GROUP BALANCE SHEET**
as at 31 March 1996

	Notes	1996	1995
		£000	£000
ASSETS			
Loans and advances to banks			
Repayable on demand	6	525	109
Other loans and advances	6	2	916
		527	1,025
Loans and advances to customers			
	7	9,259	6,899
Debt securities			
	9	96	145
Tangible fixed assets			
	10	1,557	1,622
Other assets			
		631	554
Prepayments and accrued income			
		22	8
Total assets		12,092	10,253

LORDSVALE FINANCE LIMITED**GROUP BALANCE SHEET**
as at 31 March 1996

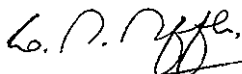
	Notes	1996	1995
		£000	£000
LIABILITIES			
Deposits by banks			
Repayable on demand	11	280	300
Customer accounts			
Repayable on demand	12	19	303
With agreed maturity dates or periods of notice	12	3,838	2,630
		3,857	2,933
Other liabilities	13	1,101	879
Accruals and deferred income		392	345
Total liabilities		5,630	4,457
Called up share capital	14	111	111
Share premium account		445	445
Capital reserve		1,813	1,813
Profit and loss account		4,093	3,427
Shareholders' funds	15	6,462	5,796
Total liabilities and reserves		12,092	10,253

LORDSVALE FINANCE LIMITED**COMPANY BALANCE SHEET**
as at 31 March 1996

	Notes	1996	1995
		£000	£000
Fixed asset investments	8	230	530
Amounts due from subsidiary undertakings		350	-
NET ASSETS		580	530
CAPITAL AND RESERVES			
Called up share capital	14	111	111
Share premium account		445	445
Profit and loss account		24	(26)
Shareholders' funds		580	530

The financial statements on pages 4 to 18 were approved by the Board on

4 December 1996



W. R. Ruffler
Director

LORDSVALE FINANCE LIMITED**GROUP CASH FLOW STATEMENT**
for the year ended 31 March 1996

	Notes	1996	1995
		£000	£000
Net cash (outflow) from operating activities	18	(351)	(38)
Net cash outflow from returns on investments and servicing of finance		(2)	-
Taxation			
UK Corporation tax paid		(180)	(198)
Investing activities			
Purchase of debt securities		49	(145)
Purchase of tangible fixed assets		(14)	(38)
Sale of tangible fixed assets		20	12
Net cash inflow/(outflow) from investing activities		55	(171)
Net cash (outflow) before financing		(478)	(407)
Financing	19	-	-
(Decrease) in cash and cash equivalents	20	(478)	(407)
		(478)	(407)

1 ACCOUNTING POLICIES**Accounting basis**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain freehold land and buildings.

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.

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 the future periods.

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.

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 freehold land and 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:

Freehold buildings	- 50 years
Fixtures, fittings and equipment	- 5 years
Computers	- 4 years
Motor vehicles	- 5 years

1 ACCOUNTING POLICIES *continued***Investment properties**

Certain of 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.

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.

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.

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.

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.

Segmental information

In the opinion of the directors the group has a single continuing class of business operating within the UK.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES *continued***Compliance with accounting standards**

The financial statements have been prepared in accordance with applicable Accounting Standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings, which are made up to a date co-terminus with the financial year of the company. No profit and loss account is presented for the company as provided by S230 of the Companies Act 1985.

2 STAFF COSTS	1996 £000	1995 £000
Wages and salaries	295	250
Social security costs	30	23
Other pension costs	82	79
	407	352

	Number	Number
The average number of persons employed by the group during the year, including directors, was as follows:	10	12

3 DIRECTORS' REMUNERATION	£000	£000
The remuneration of the directors of the company was:		
Emoluments (including benefits in kind)	122	148
Compensation for loss of office	-	-
Pension scheme contributions	15	15
Pension to director	60	59
	197	222

The emoluments of the chairman, who was also the highest paid director, excluding pension contributions, amounted to:	79	81
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LORDSVALE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3	DIRECTORS' REMUNERATION <i>continued</i>	1996	1995
	The number of directors whose emoluments, excluding pension contributions, fell within the following ranges was:	Number	Number
	£30,001 - £35,000	-	1
	£40,001 - £45,000	1	-
	£55,001 - £60,000	-	1
	£60,001 - £65,000	1	-
	£75,001 - £80,000	1	-
	£80,001 - £85,000	-	1
4	PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION is stated:	£000	£000
	After crediting:		
	Property rental income	74	66
	After charging:		
	Interest payable on		
	- deposits by banks	4	17
	- customer accounts	241	170
	Auditors' remuneration		
	- audit fees	21	21
	- non-audit fees	17	12
5	TAXATION		
	UK current year taxation:		
	UK corporation tax at 33%	395	173
	Prior year adjustment	-	(34)
	Transfer (from)/to deferred tax	(41)	23
	Tax on profit on ordinary activities	354	162
	Potential deferred tax:		
	Accelerated capital allowances	-	(64)
	Other timing differences	-	23
	Disposal of freehold property	170	170
		170	129

LORDSVALE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5	TAXATION (continued)	1996	1995
		£000	£000
	Provided deferred tax:		
	Accelerated capital allowances	-	(64)
	Other timing differences	-	23
	Disposal of freehold property	-	-
	Deferred tax liability	-	(41)

6 LOANS AND ADVANCES TO BANKS

Repayable on demand	525	109
Other loans and advances		
- repayable in not more than three months but not on demand	2	916
	527	1,025

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

7 LOANS AND ADVANCES TO CUSTOMERS

Repayable in not more than three months	3,381	2,711
Repayable in more than three months but not more than one year	3,594	2,844
Repayable in more than one year but not more than five years	2,945	2,282
Specific and general doubtful and debt provisions	(661)	(938)
	9,259	6,899

Of which repayable on demand or at short notice	892	1,177
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Specific and general doubtful debt provisions	Specific	General	Total
	£000	£000	£000
1 April 1995	851	87	938
Amounts written off	(311)	-	(311)
Charge to profit and loss account	(15)	49	34
31 March 1996	525	136	661

LORDSVALE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 LOANS AND ADVANCES TO CUSTOMERS *continued*

Loans and advances to customers comprise:	1996	1995
	£000	£000
Finance leases and hire purchase agreements		
Investment in finance leases	3,338	2,465
Investment in hire purchase agreements	2,347	1,265
	5,685	3,730
Loans	3,574	3,169
	9,259	6,899

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

	Assets purchased		Rentals receivable	
	1996	1995	1996	1995
	£000	£000	£000	£000
Finance leases	3,135	2,251	3,508	2,604
Hire purchase agreements	3,213	1,518	2,800	1,429
	6,348	3,769	6,308	4,033

8 INVESTMENTS

Company	Investments in Subordinated subsidiary undertakings		unsecured loan stock	Total
	£000		£000	£000
Cost				
At 31 March 1996	230		-	230

Subordinated loan stock of £300,000 was redeemed on expiry on 24 October 1995.

The subsidiary undertakings are all wholly owned companies registered in England and Wales:

Company	Nature of business
Ruffler Bank plc	Finance and investments
Lordsvale Leasing Limited	Dormant

9 DEBT SECURITIES

	1996		1995
	Balance sheet £000	Market value £000	Balance sheet £000
			Market value £000
Issued by public bodies - government securities	96	100	145
			146

LORDSVALE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 TANGIBLE FIXED ASSETS

Group	Investment properties £000	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
1 April 1995	1,136	420	228	78	1,862
Revaluation	(30)	-	-	-	(30)
Additions	-	-	14	-	14
Disposals	-	-	-	(28)	(28)
31 March 1996	1,106	420	242	50	1,818
Depreciation					
1 April 1995	-	8	205	27	240
Charge for the year	-	9	13	14	36
Disposals	-	-	-	(15)	(15)
31 March 1996	-	17	218	26	261
Net book value					
31 March 1996	1,106	403	24	24	1,557
31 March 1995	1,136	412	23	51	1,622
Analysis of cost or valuation					
1996 valuation	1,106	420	-	-	1,526
Cost	-	-	242	50	292
	1,106	420	242	50	1,818

Investment properties were valued at 31 March 1996 by the directors on a yield basis. Under historical cost accounting rules the net book value of investment properties would have been £1,093,000 (1995: £1,113,000), after reduction by a depreciation charge of £23,000 (1995: £23,000).

The group occupies for its own activities one floor of the property which makes up the freehold land and buildings.

Future capital expenditure

At 31 March 1996 there was no capital expenditure authorised but not contracted for and contracted but not provided for (1995: £nil).

If the freehold land and buildings were to be sold at the carrying value a liability to corporation tax of approximately £170,000 (1995: £170,000) would crystallise on the capital gain arising from the sale.

LORDSVALE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11	DEPOSITS BY BANKS	1996	1995
		£000	£000
	Repayable on demand	280	300
12	CUSTOMER ACCOUNTS		
	Repayable on demand	19	303
	Repayable in not more than three months but not on demand	3,717	2,511
	Repayable in more than three months but not more than one year	-	-
	Repayable in more than one year but not more than five years	121	119
		3,838	2,630
13	OTHER LIABILITIES		
	Trade creditors	577	490
	Corporation tax	442	231
	Other taxation and social security costs	13	29
	Other creditors	69	88
	Deferred tax provision (note 5)	-	41
		1,101	879
14	SHARE CAPITAL		
		Authorised	Allotted, called up
		1995	and fully paid
		1996	1995
		Number	£
	Ordinary shares of £1 each	100,000	86,250
	'A' non-voting shares of £1 each	25,000	25,000
		125,000	111,250
15	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996	1995
		£000	£000
	Profit for the financial year	666	512
	Net addition to shareholders' funds	666	512
	Opening shareholders' funds	5,796	5,284
	Closing shareholders' funds	6,462	5,796

NOTES TO THE FINANCIAL STATEMENTS

16 CONTINGENT LIABILITIES

At 31 March 1996 the group had no material contingent liabilities (1995: £Nil).

17 PENSION SCHEME

Ruffler Bank plc operates a defined contribution pension scheme. The assets of the scheme are held separately from those of Ruffler Bank plc in an independently administered fund. Pension contributions of £14,000 (1995: £14,000) 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 (1995 : £NIL).

18 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	1996 £000	1995 £000
Profit on ordinary activities before taxation	1,020	674
(Increase) in other assets and prepayments and accrued income	(89)	(342)
Increase in accruals and deferred income	47	87
Provisions for bad and doubtful debts	34	160
Depreciation of tangible fixed assets	36	36
Profit on sale of tangible fixed assets	(7)	(10)
Decrease/(increase) in other liabilities	48	(159)
Loss on revaluation of fixed assets	30	-
Net cash inflow from trading activities	1,119	446
Net increase/(decrease) in customer accounts	924	(471)
Net (increase) in loans and advances to customers	(2,394)	(13)
Net cash (outflow) from operating activities	(351)	(38)

19 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital £000	Share premium account £000	Capital reserve £000
1 April 1995	111	445	1,813
31 March 1996	111	445	1,813

NOTES TO THE FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS

Balance of cash and cash equivalents	1996 £000	1995 £000	Change in year £000
Loans and advances to banks	527	1,025	(498)
Deposits by banks	(280)	(300)	20
	247	725	(478)

Change in the balance of cash and cash equivalents	1996 £000	1995 £000
1 April	725	1,132
Net cash (outflow) for the year	(478)	(407)
31 March	247	725

21 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

As at 31 March 1996 the group held assets of £Nil (1995: £48,833). No liabilities were held in foreign currency (1996: £Nil).