

Lordsvale Finance Limited

Accounts 31 March 1997

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 1997

Financial statements

The directors present their consolidated report and financial statements for the year ended 31 March 1997. 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, is an authorised institution under the Banking Act 1987. The principal activities of the Bank 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 on 5 December 1996. 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 1997

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 1997 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.

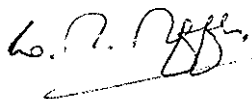
Charitable donations

During the year the Group made charitable donations in the UK of £2,787 (1996: £1,267).

Auditors

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

This report was approved by the Board on 31 July 1997.



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 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and Error! Bookmark not defined..

Respective responsibilities of directors and auditors

As described on page 4, 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 1997 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

31 July 1997

Consolidated profit and loss account

For the year ended 31 March 1997

	Notes	1997 £'000	1996 £'000
Interest receivable		2,041	1,515
Interest payable		(297)	(245)
Net interest income		1,744	1,270
Fees and commissions receivable		39	33
Other operating income	4	440	447
Operating income		2,223	1,750
Administrative expenses			
- staff costs	2	473	407
- other administrative expenses		298	253
Provisions for bad and doubtful debts	8	83	34
Depreciation	12	25	36
Operating expenses		(879)	(730)
Profit on ordinary activities before taxation	4	1,344	1,020
Tax on profit on ordinary activities	5	(593)	(354)
Profit on ordinary activities after taxation		751	666
Dividends	6	(50)	-
Retained profit for the financial year	18	701	666
Balance brought forward		4,093	3,427
Balance carried forward		4,794	4,093

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 1997

	Notes	1997 £'000	1996 £'000
Assets			
Loans and advances to banks			
Repayable on demand	7	84	525
Other loans and advances	7	<u>-</u>	<u>2</u>
		84	527
Loans and advances to customers			
Debt securities	8	10,871	9,259
Tangible fixed assets	9	96	96
Other assets	12	1,822	1,557
Prepayment and accrued income		<u>911</u>	<u>631</u>
		-	22
Total assets		<u>13,784</u>	<u>12,092</u>

Consolidated balance sheet (continued)

31 March 1997

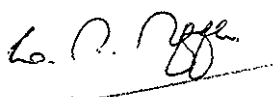
	Notes	1997 £000	1996 £000
Liabilities			
Deposits by banks			
Repayable on demand	14	<u>158</u>	<u>280</u>
Customer accounts			
Repayable on demand		61	19
With agreed maturity dates or periods of notice		<u>4,525</u>	<u>3,838</u>
		4,586	3,857
Other liabilities	16	1,252	1,101
Accruals and deferred income		<u>625</u>	<u>392</u>
Total liabilities		<u>6,621</u>	<u>5,630</u>
Called up share capital	17	111	111
Share premium		445	445
Capital reserve		1,813	1,813
Profit and loss account		<u>4,794</u>	<u>4,093</u>
Shareholders' funds	18	<u>7,163</u>	<u>6,462</u>
Total liabilities and reserves		<u>13,784</u>	<u>12,092</u>

Balance sheet

31 March 1997

	Notes	1997 £'000	1996 £'000
Fixed asset investments	11	230	230
ACT recoverable		13	-
Amounts due from subsidiaries		<u>364</u>	<u>350</u>
Net assets		<u>607</u>	<u>580</u>
Capital and reserves			
Called up share capital	17	111	111
Share premium account		445	445
Profit and loss account		<u>51</u>	<u>24</u>
Shareholders funds	18	<u>607</u>	<u>580</u>

The financial statements on pages 4 to 18 were approved by the Board on 31 July 1997



WR Ruffler (Junior)
Director

Consolidated cash flow statement

For the year ended 31 March 1997

	Notes	1997 £'000	1996 as restated £'000
Net cash inflow from operating activities	22	321	894
Taxation		(422)	(179)
Capital expenditure			
- purchase of tangible fixed assets		(290)	(14)
- sale of tangible fixed assets		-	15
		(391)	716
Equity dividends paid		(50)	-
		(441)	716
Financing - redemption of loan stock		-	(300)
(Decrease)/increase in cash	23	(441)	416

Notes to the financial statements

For the year ended 31 March 1997

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 the Bank 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

	1997 £'000	1996 £'000
Wages and salaries	371	295
Social security costs	33	30
Other pension costs	69	82
	<u>473</u>	<u>407</u>

The average number of persons employed by the Group during the year, including directors was 12 (1996: 10).

3 Directors' emoluments

	1997 £'000	1996 £'000
The remuneration of the directors of the company was:		
Emoluments (including benefits in kind)	207	122
Pension scheme contributions	2	15
	<u>209</u>	<u>198</u>

Pensions

Three directors (1996 :Three) 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 1997 whichever is the later.

Highest paid director

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

	1997 £'000	1996 £'000
Emoluments	91	79
Group contributions to money purchase schemes	1	15
	<u>92</u>	<u>94</u>

Notes to the financial statements (continued)

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

	1997 £'000	1996 £'000
after crediting		
Property rental income	145	74
after charging:	1997 £'000	1996 £'000
Interest payable on		
- deposits by banks	29	4
- customer accounts	268	241
Auditors' remuneration		
- audit fees	22	23
- non-audit fees	17	17

5 Taxation

	1997 £'000	1996 £'000
UK current year taxation:		
UK Corporation tax at 33%	593	394
Deferred taxation	-	(41)
Tax on profit on ordinary activities	593	353

6 Dividends

	1997 £'000	1996 £'000
Interim paid	50	-

Notes to the financial statements (continued)

7 Loans and advances to banks

	1997 £'000	1996 £'000
Repayable on demand	84	525
Other loans and advances	-	
- repayable in not more than three months but not on demand		2
	<u>84</u>	<u>527</u>

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

8 Loans and advances to customers

	1997 £'000	1996 £'000
Payable in not more than three months	3,826	3,381
Repayable in more than three months but not more than one year	4,438	3,594
Repayable in more than one year but not more than five years	3,352	2,945
Specific and general doubtful debt provisions	(745)	(661)
	<u>10,871</u>	<u>9,259</u>
Of which repayable on demand or at short notice	<u>1,298</u>	<u>892</u>

Specific and general doubtful debt provisions

	Specific £'000	General £'000	Total £'000
1 April 1996	525	136	661
Bad debt recovery	1	-	1
Charge to profit and loss account	58	25	83
31 March 1997	<u>584</u>	<u>161</u>	<u>745</u>

Notes to the financial statements (continued)

8 Loans and advances to customers (continued)

Loans and advances to customers comprise:	1997 £'000	1996 £'000
Finance leases and hire purchase agreements		
Investments in finance leases	3,796	3,338
Investment in hire purchase agreements	2,027	2,347
	<u>5,823</u>	<u>5,685</u>
Loans	5,048	3,574
	<u>10,871</u>	<u>9,259</u>

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

	Assets purchased		Rentals receivable	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Finance leases	3,645	3,135	4,532	3,508
Hire purchase agreements	1,997	3,213	2,461	2,800
	<u>5,642</u>	<u>6,348</u>	<u>6,993</u>	<u>6,308</u>

9 Debt securities

	1997		1996	
	Balance sheet £'000	Market value £'000	Balance sheet £'000	Market value £'000
Issued by public bodies				
- government securities	96	103	96	100

10 Assets and liabilities denominated in foreign currency

As at 31 March 1997 and 31 March 1996 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 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. The Bank 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	Freehold land and buildings £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
1 April 1996	1,106	420	242	50	1,818
Revaluation	-	(25)	-	-	(25)
Additions	232		58		290
Transfers	395	(395)	-	-	-
Disposals	-	-	(199)	-	(199)
31 March 1997	<u>1,733</u>	<u>-</u>	<u>101</u>	<u>50</u>	<u>1,884</u>
Depreciation					
1 April 1996	-	17	218	26	261
Charge for the year	-	8	11	6	25
Revaluation	-	(25)	-	-	(25)
Disposals	-	-	(199)	-	(199)
31 March 1997	<u>-</u>	<u>-</u>	<u>30</u>	<u>32</u>	<u>62</u>
Net book value					
31 March 1997	<u>1,338</u>	<u>-</u>	<u>71</u>	<u>18</u>	<u>1,822</u>
31 March 1996	<u>1,106</u>	<u>403</u>	<u>24</u>	<u>24</u>	<u>1,557</u>
Analysis of cost or valuation					
1997 valuation	1,733	-	-	-	1,733
Cost	-	-	101	50	151
	<u>1,733</u>	<u>-</u>	<u>101</u>	<u>50</u>	<u>1,884</u>

Investment properties were valued at 31 March 1997 by the directors on a yield basis. Under historical cost accounting rules the net book value of investment properties would have been £1,685,000 after reduction by a depreciation charge of £35,000.

Future capital expenditure

At 31 March 1997 there was no capital expenditure authorised but not contracted for or contracted but not provided for (1996: £Nil).

13 Other assets

Other assets includes £55,000 (1996: £Nil) due from subsidiaries.

Notes to the financial statements (continued)

14 Deposits by banks

	1997 £'000	1996 £'000
Repayable on demand	<u>158</u>	<u>280</u>

15 Customer accounts

	1997 £'000	1996 £'000
Repayable on demand	<u>61</u>	<u>19</u>
Repayable in not more than three months but not on demand	4,177	3,717
Repayable in more than three months but not more than one year	246	-
Repayable in more than one year but not more than five years	<u>102</u>	<u>121</u>
	<u>4,525</u>	<u>3,838</u>

16 Other liabilities

	1997 £'000	1996 £'000
Trade creditors	540	577
Corporation tax	626	442
Other taxation and social security costs	8	13
Other creditors	55	69
Dividends payable	<u>50</u>	<u>50</u>
	<u>1,252</u>	<u>1,101</u>

17 Share capital

	Authorised		Allotted, called up and fully paid	
	1997 Number	1996 Number	1997 £'000	1996 £'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)

18 Reconciliation of movements in shareholders' funds

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Profit for the financial year	701	27	666	50
Opening shareholders' funds	6,462	580	5,796	530
Closing shareholders' funds	<u>7,163</u>	<u>607</u>	<u>6,462</u>	<u>580</u>

19 Contingent liabilities

At 31 March 1997 there were contingent liabilities of £282,000 (1996: £Nil). These relate to guarantees made to third parties on behalf of customers of the Bank.

20 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 (1996: £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 (1996: £Nil).

21 Related parties

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

22 Reconciliation of operating profit to net operating cash flows

	1997 £'000	1996 £'000
Operating profits	1,344	1,020
Decrease/(increase) in prepayments and accrued income	22	(14)
Increase in accruals and deferred income	233	47
Provisions for bad and doubtful debts	83	34
Depreciation	25	36
Sale of debt securities	-	49
Loss on fixed assets revaluation	-	28
Net cashflow from trading activities	<u>1,707</u>	<u>1,200</u>
Net increase in loans and advances to banks and customers	(1,693)	(1,480)
Net increase in deposits by banks and customer accounts	607	904
Net increase in other assets	(267)	(76)
Net (decrease)/increase in other liabilities	<u>(33)</u>	<u>346</u>
Net cash inflow from operating activities	<u>321</u>	<u>894</u>

Notes to the financial statements (continued)

23 Analysis of balances of cash as shown in the balance sheet

	At 1 April 1996 £'000	Cashflow £'000	At 31 March 1997 £'000
Loans and advances to other banks repayable on demand	<u>525</u>	<u>(441)</u>	<u>84</u>